

2019 ANNUAL REPORT







Contents

08

CACBANK's
Establishment

09

Vision and ,
Mission

10

Chairman's
Message

12

Board of Directors
Members

14

Executive
Management

20

ORGANIZATIONAL
STRUCTURE

22

Governance
Manual

30

Financial Performance
Report

40

Risk
Management

46

Information
Technology

48

Human
Resources

50

launche Electronic
Money Service

52

business payment
services

58

CAC Insurance
Company

60

CAC Security and
Maintenance Company

62

Marib Poultry
Company

66

BANKING TRAINING
CENTER

74

Sustainable Agricultural
and Fishery Services

78

Social
Responsibility

80

Islamic Finance
Cacbank

92

Independent Auditor's
Report

97

Consolidated Statement
Of Financial Position

98

Consolidated Statement Of
Comprehensive Income

99

Consolidated Statement
Of Changes In Equity

101

Consolidated Statement
Cash Flows Of Changes

103

Notes To The Consilidated
Financial Statemnts

156

CAC Bank branches
and offices

CACBANK's Establishment

The Cooperative and Agricultural Credit Bank was established according to Law No. (9) for the year 1982, resulting from the merger of the Cooperative and Agricultural Credit Bank (1975) and the National Cooperative Development Bank (1979).

Based on the economic reform programs, which the Government has pursued in line with the requirements of the times and calling for openness to the global economy, the Cooperative and Agricultural Credit Bank has entered the banking industries market by restructuring its organizational structure and transforming itself through planned stages. Furthermore the Bank has provided material and technological capabilities and selected capable and qualified human cadres. This has been reflected in the development of the Bank's work enabling it to carry out more comprehensive banking business, thus leading to a considerable expansion in its size and activities.

The Bank has financed all economic and productive sectors and did not stop there. Rather, it continued to keep pace with banking developments, adopting policies and strategies that enable it to keep abreast of the best banking services, thus outperforming its counterparts in the local banking arena.

The Bank has also kept pace with global developments related to financial and banking institutions. Furthermore, it has provided non-banking services and diversified its functional activities in terms of sources of funds and their employment as well as insurance business, all of which have guaranteed it entrance into the world of banking competition with merit. The result has been the continuation of the Bank's pioneering spirit and leadership in occupying an advanced position among financial institutions for the past years in succession. These facts have been strengthened by the Bank's wide geographical spread and its possession of the largest local banking network, as well as a distinguished banking partnership with the network of correspondent banks around the world.

Our vision:

The Pioneering Financial Institution.

Our Mission:

To provide various high-quality banking and financial services using the best financial and technical systems with high professionalism through a wide business network for individuals, companies and institutions , thus contributing to the development of the domestic economy.

Core Values:

- The customer is the focus of our attention
- Continuous pursuit of excellence
- Community Development
- Work as one team
- Paying attention to human resources and developing their capabilities

CHAIRMAN'S MESSAGE



IBRAHIM AHMED AL HOOTHI
CHAIRMAN

We bode farewell a financial year with its variables full of challenges and difficulties, which were predominant with their effects on the economic reality in general and on the financial system in particular. Despite this, our institutions stood firmly in confronting and overcoming obstacles, in order to maintain acceptable stability and continue the role assigned to them. Despite these challenges and their impact, we have achieved in 2019 at the level of the Bank's business and activities many developments in its business, as we continued to develop our electronic services to become more convenient and effective, through the development of the electronic banking services (Mobile Money, "Money Pay" and Business Payment Services) by means of locally spread points of sale (POS) which enhance the element of security for customers as companies and individuals.

The financial and banking institutions in Yemen addressed this field as a need long before the Corona pandemic appeared, for reasons imposed on the Yemeni reality represented in solving the cash shortage crisis, as models appeared for a number of local banks which provided services to deal with electronic cash and with names that suit them, but CAC Bank has been the leader in the transformation of electronic cash transactions since the beginning.

In light of these needs for electronic cash transactions, it was necessary to work to meet them and in conjunction with this trend, the Bank's management hastened to launch the Government Payments System, in a serious step to conduct such successful experiments. This step is one of the most prominent economic remedies to deal with the challenges and economic crises facing the economy. What is noteworthy is that the electronic payments project as a system was designed by qualified Yemeni cadres, which creates confidence that Yemen is capable with its people to overcome all challenges.

Undoubtedly, the launch of CAC Bank of Business Payments Service and Cardless Service and before that the leading service (Mobile Money) and before all those (CAC Mobily), all of which will contribute to pushing all private and public entities to get rid of traditional financial transactions and this project which was launched by the Bank will have its prominent role in bringing about transformations in financial transactions of the various governmental, private and mixed sectors.

There is no doubt that this project has a lot of importance on the financial, economic and developmental levels, especially as it will contribute to improving and developing the banking business environment and will have its role in reducing corruption, as well as contributing to reducing any health risks and epidemics transmitted by infection.

It will also provide services to all beneficiaries without the need to go to the places of the agencies that provide these services, which will save a lot of effort, money and time and reduce overcrowding thus ensuring privacy for all beneficiaries.

We can say that 2019 was the year of overcoming the challenges that were expected to impede the process of shifting towards electronic monetary transactions and thus CAC Bank has made strides towards completing the cycle of this transformation, which will enhance economic growth and reduce challenges and crises that threaten the national economy and hinder the wheel of development.

In the field of investment and in line with the Bank's strategy aimed at increasing its investments in the market and maintaining its position as one of the distinguished banks at the local level through development and increasing the effectiveness of banking operations, the Bank has expanded the process of linking with the network of government institutions, the private sector and money transfer companies, which will reduce the cost of these operations.

The Bank has also fully modernized its payroll automation processes for customers' accounts, which will lead to an improved level of service.

In conclusion, I can only express my sincere thanks and appreciation to CAC Bank's customers, whose trust we cherish and all the Bank's employees for their efforts during the year 2019, hoping from the Almighty God more progress and prosperity for our pioneering institution and our dear country Yemen.



بنك التسليف التعاوني والزراعي
Cooperative & Agricultural Credit Bank

Board of Directors' Members



Ibrahim Ahmed AL Hoothi
Chairman



Ali Abdulkarim Al-Fadil
Ministry of Agriculture and Irrigation
Representative



Mahdi Abdullah Al-Rahbi
Agriculture & Fish Production
Support Fund



Muhammad Abdulrahman Abdulqadir
Civil Aviation & Meteorology Public Authority



Jamal Ali Al Maliki
Ministry of Finance





Abdu Mahdi Al Adlah
Independent Member



Abbas Issa Al Zabidi
Fisheries Ministry Representative



Mohamed Mohamed Basheer
Representative of the Agricultural
Cooperative Federation



Abdulla Hassan Al Shatir
Independent Member



Saleem Nasir Al Shahtari
Independent Member



Hamoud Mohamed Al Salahi
Independent Member



Ammar Ali Al-Adlah
Secretary of the Board of
Directors





بنك التسليف التعاوني والزراعي
Cooperative & Agricultural Credit Bank

Executive Management



ABDUL JABBAR AHMED SALAMA

Deputy CEO,
Investment



YAHYA MOHAMED AL KIBSI

Deputy CEO,
Risk & Compliance



IBRAHIM AHMED AL HOOTHI

Deputy CEO,
Business Development



ABDULLA ALI AL DAILAMI

Deputy CEO,
Support Services



MOHAMMED ABDELRAHMAN AL-SAYEDI

Deputy CEO,
Retail Banking



ZAKIR ABDO AL-SAM'I

Deputy CEO,
Banking Operations



ADEL MOHAMMED AL-KEBSI

Executive Manager
Cac Islamic



RIYADH ABAAS AL QIRSHI

Deputy CEO,
Agricultural and Fisheries
Finance



MUNIR MOHAMED AL HAKIM

Deputy CEO,
Corporate Banking



Let us start together

Take part our Pioneering Spirit
www.cacbank.com.ye



Manage your accounts and
pay your obligations



The most widespread..the
least expensive



Mobile Money Realk
electronic



Western Union for Transfers



Riya for money transfers



Transfer your money
through your mobile phone



E-Bank Carry out your
operations from your office



Browse your accounts with
CAC Online



Lady's service package



Let us start together

Take part our Pioneering Spirit
www.cacbank.com.ye



Union Pay Cards



American Express Cards



International Visa Cards



Cattle Package



Irrigation Packages



Food Package



Shahd Package



Seaman Package

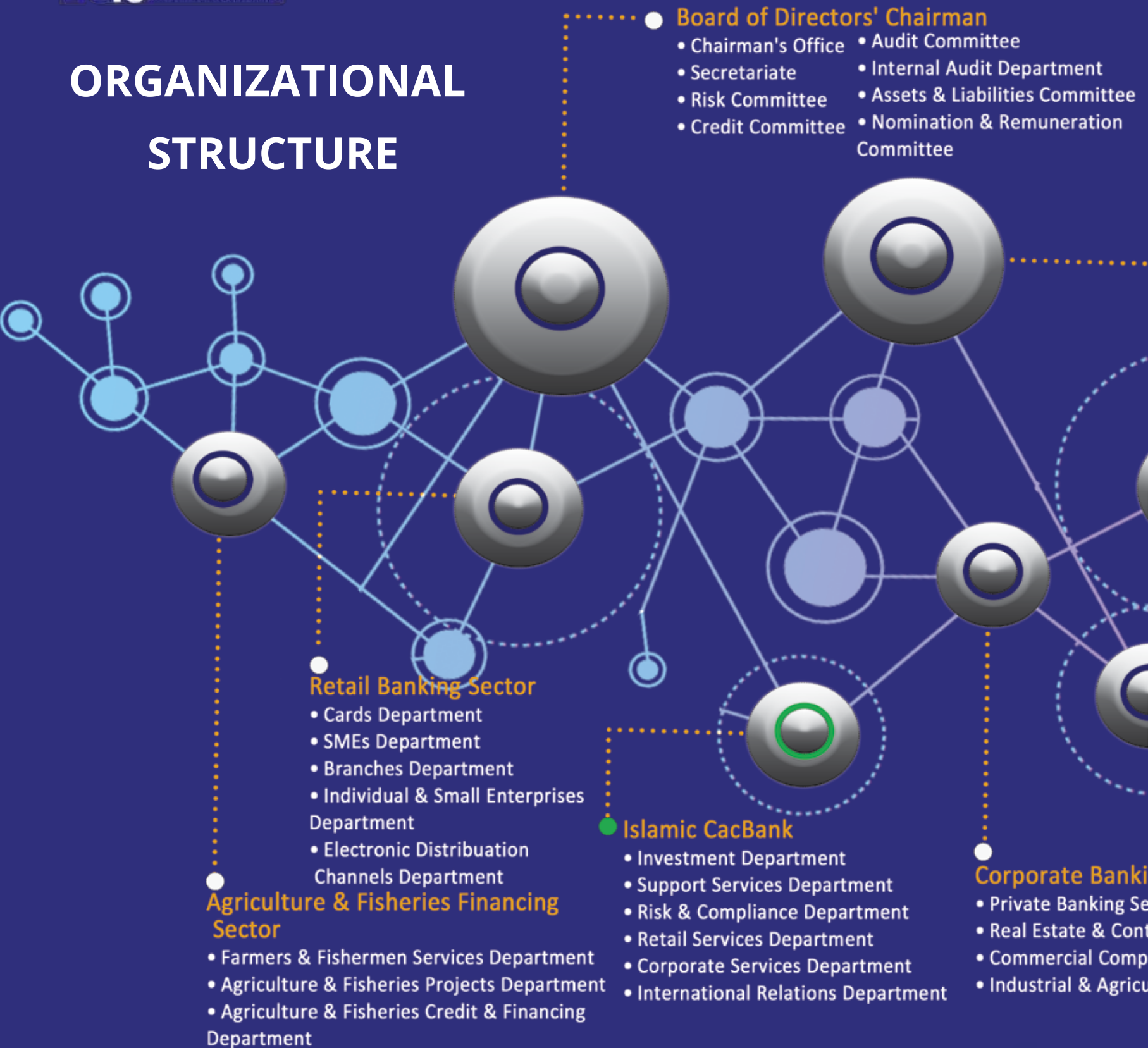


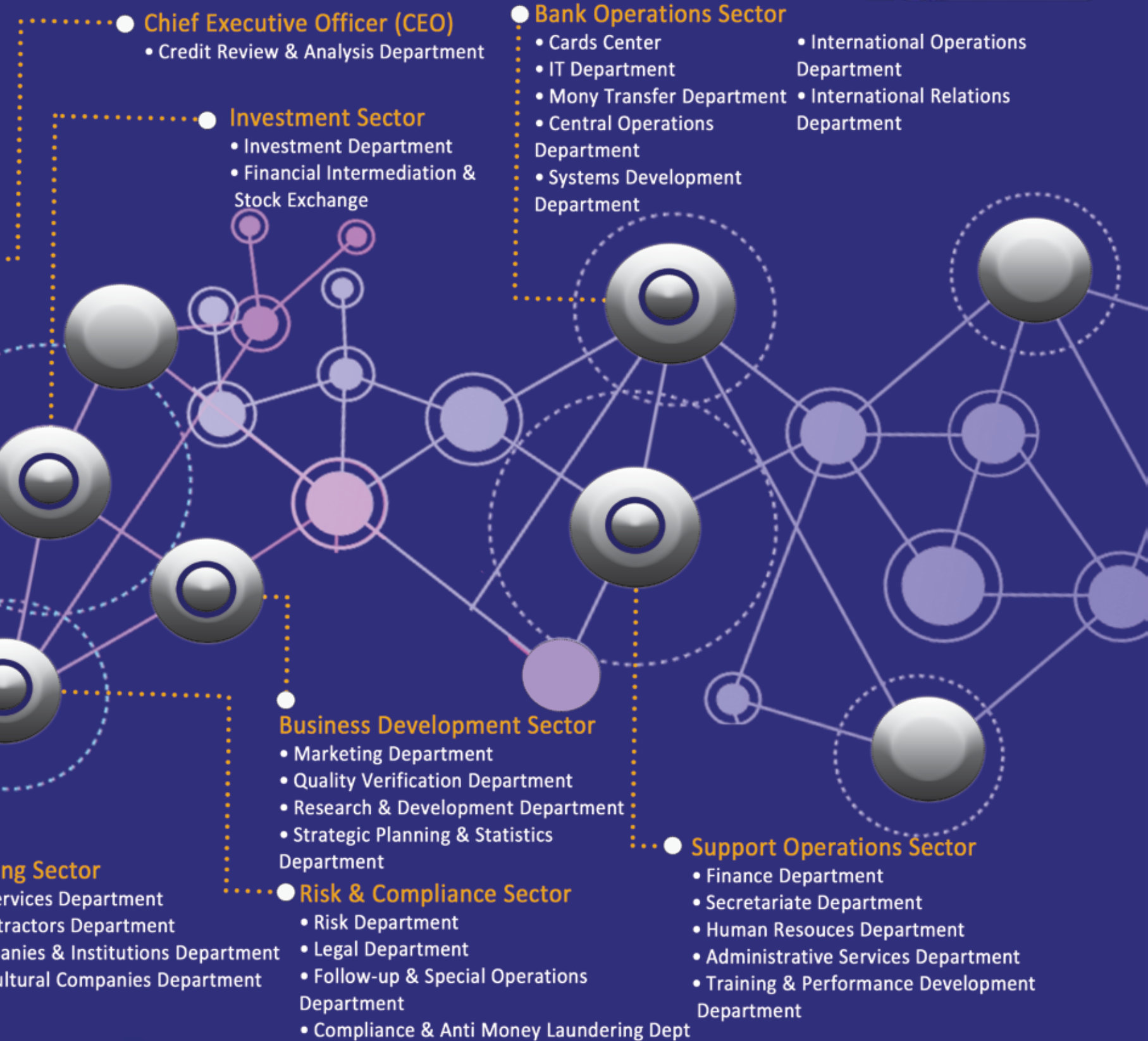
Coffee Package

CACI

BANK

ORGANIZATIONAL STRUCTURE





GOVERNANCE MANUAL

The Cooperative and Agricultural Credit Bank (CAC Bank) pays great attention to keep abreast of the best pioneering practices and international recommendations related to governance, taking into account the necessity to develop strong systems for risk management, resulting in the protection of shareholders' rights and depositors' funds and ultimately preserving and safeguarding the Bank's strong financial system, a matter which reflects positively on the national economy.

The Bank's management has continued on this path during 20019 as represented by the its Board of Directors, which has given great attention and importance to sound corporate governance, in addition to being committed to applying the highest standards of professional performance to all the Bank's activities and abiding by all the regulations and instructions of the Central Bank of Yemen as stipulated in its Circular No. 3 for 2013, whereas the Central Bank adopted in this area the Basle Committee's recommendations on corporate governance, as well as the instructions concerned with governance principles as issued by the Organization of Economic Cooperation and Development (OECD).

The governance of banks is defined as the way in which the affairs and business of banks are regulated by their boards of directors and executive managements. It determines the correct and sound methods in setting the goals and strategies of banks and their daily operations, in addition to achieving the principle of accountability to the shareholders and taking into account the rights and interests of connected parties. Furthermore, bank governance implies compliance with the rules and instructions issued by the supervisory authority and protecting the interests of depositors. All of these matters require the development of robust and strong risk management systems.

The Bank issued the first version of the Governance Manual in August 2010 and the Governance Manual was updated, adopted and approved by the Board of Directors in its session of August 2015 ,16 in accordance with the requirements of the Governance Directive issued by the Central Bank of Yemen, Circular No. (3) of 2013, in a manner which is in line with its needs, policies and nature as a government bank (traditional and Islamic).

The Bank reviews, develops and adjusts the Governance Manual from time to time in order to keep abreast of the changes in its needs and expectations as well as developments in the banking market. The Manual is approved by the Board of Directors and sanctioned by the Central Bank of Yemen.

I. THE BOARD OF DIRECTORS

The Board of Directors of the Cooperative and Agricultural Credit Bank (CAC Bank), in addition to the responsibilities imposed on it by the relevant laws and the laws regulating banking business, shall comply with the following responsibilities:

1. Ascertaining that the Bank's management is conducted in a prudent manner and within the framework of the relevant laws in force, instructions issued by the Central Bank of Yemen and the internal policies of the Bank, in such a way as to ensure the safe and sound management of the Bank and safeguarding the rights of depositors and the interests of shareholders, creditors, employees and other connected parties.
2. Ensuring the implementation of the Bank's approved governance system.
3. Adopting and supervising the internal control systems and reviewing their effectiveness annually or whenever it is deemed necessary.
4. Ensuring the existence of an independent internal audit department and ascertaining the avoidance of any type of influence on it on the part of the executive management, by being directly responsible and subordinate to the Board of Directors, which should be responsible for determining the salaries, incentives and bonuses of the audit department employees within the Bank's cadre. The Board shall also be responsible for evaluating and appraising their performance, ascertaining the availability of an adequate number of them, the adequacy of their qualifications, experience and professional skills, their continuous development and the provision of all the necessary requirements and needs to fulfill these objectives.
5. Forming the committees or delegating the executive management or any other body to perform some functions of the Board of Directors with the assurance that this does not absolve it of its responsibilities in accordance with the relevant laws in force.
6. Implanting the principle of commitment of each member of the Board of Directors towards the Bank as representing all shareholders. The member must commit himself/herself to acting in the best interests of the Bank and the interests of depositors and other stakeholders and not just of a specific group.

7. Protecting the Bank from illegal or inappropriate acts of major shareholders with negative effects on the interests of the Bank and the rest of the shareholders.
8. Developing a policy that regulates and identifies transactions with connected parties and the interests related to them in terms of knowing, monitoring and determining all approved and unapproved transactions and operations. The Board should also ensure that the implementation of any transaction for any of the connected parties and interests related to them is done fairly and without preference and disclosed there and then in an instantaneous and proper manner.
9. Setting in place a written policy on conflict of interests, ensuring that policies that assist in detecting potential conflicts of interest exist and are applied.
10. Ensuring that members of the Board of Directors do not participate in making decisions, where there is any conflict of interests preventing them from performing their role in protecting the Bank's interests in a proper and sound manner.
11. Ensuring that sufficient attention and time are devoted by the members of the Board of Directors in carrying out their duties and assuming their responsibilities in an effective manner.

II. CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors is responsible for implementing the strategic plan of the Bank, as well as supervising all the business of the Bank. He is responsible to the Board of Directors for following up the implementation of the policy set by the Board to achieve the objectives and goals of the Bank, as well as monitoring and evaluating the overall performance of the Bank, in accordance with the strategies, plans, objectives, policies and budgets approved by the Board of Directors. In addition to what the Law stipulates, the Chairman carries out the following functions:

1. Establishing a constructive relationship between the Board of Directors and the Executive Management of the Bank.
2. Creating a culture during meetings of the Board of Directors encouraging constructive criticism on issues on which there is divergence of views among members, promoting discussions and providing consensus on those issues.
3. Ensuring that sufficient information is

provided to both members of the Board of Directors and shareholders in a timely and appropriate manner.

4. Ensuring that the Bank's approved Governance Manual is applied.
5. Ensuring that members of the Board of Directors receive adequate and suitable training on the Bank's business.
6. Ensuring that the views of the Bank's shareholders reach all members of the Board of Directors, especially with regard to the Bank's strategies and the Bank's Governance Manual.

III. MEETINGS OF THE BOARD

In order to ensure the comprehensiveness of the topics presented at the meetings of the board of directors, the following topics should be addressed:

1. Approval of the strategic plan of the Bank and sanctioning the estimated budgets as well as capital expenditures and updates of the policies governing the treasury operations, credit, compliance and investment, in addition to the powers of disbursement and approval of the annual audit plan. All members can obtain the relevant information available to the Secretary of the Board of Directors. Members of the Board of Directors may also obtain advice from third (external) parties on any specialized topic with the expenses of those consultations to be borne by the Bank, in accordance with the Bank's Governance directions.
2. **Secretary of the Board of Directors**
 - Provides the members of the Board of Directors with sufficient information before an adequate period of time of Board meetings to enable them to make appropriate decisions.
 - The Secretary of the Board of Directors shall also prepare and document the minutes of the meetings, record the discussions of the Board of Directors, the suggestions of the members and their votes, the decisions taken by them and the party responsible for implementing those decisions.

IV. THE CODE OF BUSINESS ETHICS AND POLICY OF CONFLICT OF INTERESTS

The Board ensured that the Bank enjoys high integrity in the conduct of its business. This is done through the availability of conflict of interest policies and the Code of Business Ethics, which include a definition of conflict

of interests and transactions undertaken by employees of the Bank for their personal benefit, based on internal information about the Bank obtained as a result of the powers given to them. These policies and the Code of Business Ethics have been circulated to all employees of the Bank and members of the Board of Directors. The Board of Directors approved the Code of Conduct and Business Ethics in its latest updates in 2017 and circulated it to all employees of the Bank.

V. COMMITTEES OF THE BOARD

General Provisions

1. The committees emanating from the Board of Directors and in accordance with the latest approved version of the Governance Manual shall carry out the tasks assigned to them, activate their role and submit the periodic reports to the Board.
2. The committees are responsible for their actions before the Board of Directors, but this does not relieve or absolve the Board of Directors of its responsibility for the work of these committees.
3. The attendance of the members of the committees at their meetings shall be necessary for the continuation of their membership. A quorum shall be required for the meeting to be valid. Decisions shall be taken by a majority of the votes of the members. In the event of a tie, the side on which the committee's chairman votes succeeds. The votes (opinions) of the other side shall be recorded in the minutes of the meeting with emphasis that delegation of voting rights is not allowed. The Chairman of any committee shall not be allowed to delegate his powers to any other person.
4. Each committee has its own system of work, which has been approved by the Board of Directors and which clearly defines its powers, functions and responsibilities.
5. The minutes of the meetings of the committees shall be duly documented and classified.
6. A member shall not be a member in more than two committees and a member shall only be chairman of one committee. A chairman's powers and authority shall not be delegated to **another person**.
7. The Board of Directors has formed the Audit Committee, the Risk Management and Compliance Committee, the

The following table shows the Board of Directors' Committees

Committee Name	Formed Pursuant To
Audit Committee	Board Resolution No. 2 dated 2013/02/11
Selection, Remuneration & Governance	Board Resolution No. 7 dated 2015/06/17 & Board Resolution No. 9 dated 2017/07/22 merging Governance Committee to Selection & Remuneration Committee
Risk Management High Credit & Compliance Committee	Board Resolution No. 7 dated 2015/06/17
High Credit Committee	Board Resolution No. 7 dated 2015/06/17

Nomination, Remuneration and Governance Committee and the High Credit Committee. It should be noted that that the Board is entitled to merge several of its Committees, if such procedure is convenient or more appropriate from a professional and administrative standpoint

1-The Audit Committee

Members	Status/Position
Abdulla Hassan Al Shatir	Chairman
Ali Abdul Kareem Al Fadheel	Member
Jamal Ali Al Maliki	Member
Abbas Issa Al Zabidi	Member

The Committee convened twelve meetings during 2019.

The Audit Committee is composed of four non-executive members, the majority of whom are independent members. All of its minutes are documented. The Board of Directors appoints the chairman and members of the Audit Committee for a period of three years, renewable as a maximum for two terms. The Committee shall have the right to seek external expertise after approval by the Board of Directors.

Objectives of the Committee:

- Review of the reports of financial statements, internal control and surveillance systems, scope, results and adequacy of internal audit, external audit, as well as review of accounting issues which have a material impact on the financial statements.

Powers and Functions of the Committee:

- The Audit Committee shall have the authority to obtain any information for conducting its business. The Committee may also invite any person with experience or competence to attend its meetings to seek his guidance and opinions, as well as invite any member of the Board of Directors or the Executive Management to attend the Committee's meetings. Furthermore, it has the right to invite the Manager of Internal Audit to attend the meetings of the Committee. The Committee may also request meeting with the External Auditor.
- Review the periodic financial statements before presenting them to the Board of Directors, recommending them to the Board of Directors and following up the accounting issues which have a material impact on the financial statements, in order to ensure the fairness and transparency of the financial reports and statements.

The Audit Committee assesses the effectiveness and adequacy of the internal control and supervision systems. The Committee's responsibility includes what follows:

1. Evaluate the effectiveness and adequacy of the internal audit function and ensure compliance with the applicable instructions issued by the relevant authorities.
2. Evaluate the effectiveness and adequacy of the internal audit scope and programs.

3. Review the results of the internal audit reports and ensure that the necessary relevant actions have been taken in their respect.
4. Review and approve the audit plans proposed by the Internal Audit.
5. Recommend to the Board of Directors to appoint, transfer, dismiss and evaluate the performance of the Manager and staff of the Internal Audit Department.

6. **The Committee shall have the authority to directly contact the External Auditor and to meet with him without the attendance of the Executive Management. The Committee's responsibility in this regard shall include:**

1. Recommend to the Board of Directors regarding the appointment and removal of the External Auditor, the determination of his/her fees and evaluation of his/her performance.
2. Evaluate the objectivity and independence of the external auditor.
3. Review and accept the letter of appointment.
4. Review the results of external audit reports and reports of the Central Bank and ensure that the necessary relevant procedures have been taken in this respect.
5. The Committee reviews the operations with connected parties and informs the Board of Directors accordingly thereof.
6. The Committee shall ascertain the extent to which the Bank complies with the relevant applicable laws in force, the laws regulating the banking business, the instructions issued by the Central Bank and the extent of compliance with the Bank's policies and internal regulations.
7. The Committee shall hold periodic meetings with the External Auditor at least once a year and at least twice with the Internal Auditor. The Internal Auditor and the External Auditor shall also be entitled to request a meeting with the Committee whenever business requirements deem it necessary.
8. The Committee shall receive all communications submitted by employees regarding any potential violations in financial or legal areas in strict confidence, in accordance with the Infringement Reporting Program approved by the Board of Directors.

2-Risk Management and Compliance Committee

Members	Status/Position
Mahdi Al Rahabi	Chairman
Mohamed Mohamed Basheer	Member
Abdu Mahdi Al Adlah	Member

The Committee convened sixteen meetings during 2019.

Objectives of the Committee:

To set in place the risk policy in line with the Bank's ability and acceptability to take risks and review the performance of the Executive Management in managing the risks of credit, market, liquidity, operation, non-compliance, reputation and others.

Powers and functions of the Committee:

- The Committee shall review risk management strategies and policies before they are approved by the Board of Directors and ensure the implementation of these strategies and policies.
- Ascertaining the availability of adequate resources and systems for risk management and ensuring the independence of risk management personnel from the activities which result in the Bank being exposed to risks.
- Recommending to the Board of Directors regarding the appointment of the Director of Risk and Compliance Sector, the Manager of Risk Management Department and the Manager of Compliance Department and their transfer, dismissal and evaluation of their performance.
- Reviewing the organizational structure of the Risk Management and Compliance Sector and making recommendations thereon before it is approved by the Board of Directors.
- Reviewing the periodic reports on the nature and size of the risks to which the Bank is exposed and the activities of the Risks and Compliance Sector.
- Monitoring the compliance of the Risks and Compliance Sector with the standards and criteria of the Basel Risk Management Committee related to risk management in respect of credit risk, market risk, operational risk and risk of non-compliance.
- The Committee reports periodically to the Board of Directors and provides statistics on the risks to which the Bank is exposed, changes and developments in risk

management and instructions issued by the Central Bank.

- Reviewing and giving an opinion to the Board of Directors on the limits and ceilings of risks and exceptional cases that arise and to which they are subjected.
- The Committee holds periodic meetings with the Risk Sector to discuss and evaluate the risks to which the Bank is exposed, the adequacy of the methods of their treatment and presenting recommendations thereon.

3- Nomination, Remuneration and Governance Committee

Members	Status/Position
Mohamed Abdul Qadir	Chairman
Jamal Ali AlMaliki	Member
Mahdi Al Rahabi	Member
Hamoud Al Salahi	Member

The Committee convened six meetings during 2019.

Objectives of the Committee:

- Setting in place the Bank's governance system and monitoring its implementation as well as its amendment whenever it is deemed necessary.
- Monitoring and ensuring the transparency of replacement of the members of the Board of Directors and the appointment of the Chief Executive Officer (CEO), as well as propose criteria and standards for evaluating the effectiveness of the Board of Directors as a whole and the effectiveness of each Board member independently, in addition to evaluating the performance of the Executive Management in accordance with the standards approved by the Board. Furthermore, the Committee ensures the transparency of the policies pertaining to the salaries, remuneration and incentives of the members of the Board of Directors and Executive Management, ascertaining that these policies are consistent with the Bank's objectives.

Powers and Functions of the Committee:

- Monitoring supervision of implementation of the governance system, its review and proposing any update or amendment as deemed necessary, such as the issue of new resolutions or regulations, requiring

amendment of the governance system and in particular following up what is issued by the Basle Committee and submitting it to the Central Bank of Yemen.

- Coordination with the Audit Committee to ascertain compliance with the governance system.
- Providing the Board of Directors annually as a minimum with reports and recommendations, in accordance with the results and conclusions reached during the Committee's work.
- Setting minimum standards and conditions for the expertise, qualifications and skills required for membership of the Board of Directors and for the position of Chief Executive Officer, including determining the time to be allocated by the member to the business of the Board of Directors, which must approve these standards and conditions.
- Adopting objective criteria to evaluate the effectiveness of the Board of Directors as a whole, the performance of each member of the Board of Directors and each of its committees, as well as evaluating the performance of the Executive Directors. On presenting to the Board of Directors the performance appraisal of the Board of Directors as a whole and the Executive Management, consideration must be given to the performance of other similar institutions. Compliance with supervisory requirements should also be taken into account and the Board of Directors must approve the evaluation criteria and standards.
- Ensuring that members of the Board of Directors receive continuous training and rehabilitation, through programs designed for this purpose, in order to keep abreast of recent developments in the financial services industry. The Committee also provides information on some important issues in the Bank to the members of the Board of Directors upon request.
- Setting in place the conditions and criteria for appointing senior executive management, evaluating their performance and preparing a plan for their replacement.
- Recommending to the Board of Directors to cancel the appointment / dismissal of any senior executive management personnel, if proven ineffective and deficient in the performance of his/her duties and responsibilities, including, but

not limited to the Finance Manager.

- -Conducting the annual review of the conditions required for membership of the Board of Directors and Chief Executive Officer, in order to ensure compliance with the provisions of laws and regulations in force and instructions issued by the Central Bank.
- Ensuring the existence of clear remuneration and compensation policies for Board members and executive directors commensurate with their experience and qualifications to be approved by approved by the Board of Directors and reviewed annually by the Committee. There must be a balance in determining the remuneration and dues, so as to motivate and attract the recruitment of qualified persons but not exaggerated. The ladder of such remuneration and dues shall be within the range determined by the Bank's policy and not linked to performance in the short term, with a view to avoiding risk encouragement beyond acceptable limits.

4-High Credit Committee

The High Credit Committee consists of two non-executive members of the Board of Directors in addition to a number of members of the Executive Management.

Members	Status/Position
Mohamed Saleh Allai'i	Chairman
Jamal Al Maliki	Member
Mohamed Abdul Qadir	Member
CEO	Member
Islamic CAC Counselor	Member
Corporate Credit Sector Deputy Chairman	Member
Corporate Sector Assistant Deputy Chairman	Member
Credit Audit & Analysis Manager	Member

The Committee convened fourteen meetings in 2019.

Responsibilities:

1. Reviewing the Bank's credit strategy and policy before being approved by the Board of Directors and constantly evaluating their

effectiveness.

2. The final decision regarding the granting of other credit facilities based on the powers set out in the credit policy in this regard.
3. Follow up and evaluate the granted credit facilities and take appropriate measures to rectify the nonperforming ones.
4. Ensuring the effectiveness and accuracy of the Bank's credit procedures and powers and the framework of selling and granting credit operations, in addition to subjecting them to periodic reviews and adjusting them if necessary.
5. Monitor and follow up the implementation of the credit policy, receive periodic reports from the concerned departments and submit them to the Board of Directors with the necessary recommendations in this regard.
6. To demand any data or information from the Executive Management, or to call any member of the Board of Directors or the Executive Management to attend the Committee's meetings and respond to any information requested by the Committee from him/her.

VI. INTERNAL CONTROL AND SUPERVISION ENVIRONMENT

1. Internal Audit Function

The Bank has a permanent and effective internal audit function, reporting directly to the Board of Directors, which is fully independent, with the appointment by the Board of Directors of the Manager and staff of the Internal Audit Department, following the recommendation of the Audit Committee. The Internal Audit staff must not be entrusted with carrying out any executive duties or responsibilities. The following are the most important tasks of the Internal Audit Department:

- Ensuring compliance with the policies and procedures approved by the Board of Directors and the laws governing banking business and instructions issued by the Central Bank.
- Ensuring the application and implementation of the Bank's instructions, rules and by laws and its internal regulations and proposing to address deficiencies and shortcomings in the financial, administrative and technical systems.
- Documenting the functions, powers and responsibilities of the Internal Audit

Department within the Internal Audit Charter, which has been approved by the Board of Directors.

- Submitting internal audit reports to the Board of Directors or Audit Committee.
- Ensuring the adequacy of internal control and supervision systems and risk management systems and their effectiveness.
- Present proposals and recommendations aiming at improving the efficiency of the internal control systems of the Bank to the Board of Directors or Audit Committee.
- Assisting the Board of Directors in carrying out its responsibilities fully by providing it with analyses, evaluations and recommendations on the activities carried out by the Audit Department.

The primary responsibility of the Internal Audit Department, which must be risk based, is to review as a minimum the following:

- All departments, sections and branches of the Bank and all activities and risks, to be in the form of periodic and continuous review during the year, in addition to the review of financial statements and final accounts.
- The internal audit process should be carried out in accordance with comprehensive and appropriately professional review programs, which abide by the latest international internal auditing standards and guidelines, in addition to providing the necessary techniques and exerting efforts to evaluate and develop these programs to suit the development of the Bank's work and business.
- Keeping its reports and working documents in a systematic and safe manner which can be referred to, consulted and ready for review by the External Auditor, the Audit Committee and the Central Bank inspectors.

2. Compliance Function

The Bank has a permanent and effective compliance function, which enjoys full independence. The following are the most important duties of the compliance function:

1. Permanent follow-up of the Bank's compliance with all relevant laws and laws governing banking business and instructions issued by the Central Bank, which must be followed and adhered to. The Compliance Function also ensures that the Bank complies with its by laws and regulations as well as with the norms

and sound banking practices and rules, criteria and standards issued by local and international regulatory authorities.

2. Follow-up on the extent of compliance with the Bank's governance system.
3. Receiving and investigating Bank employees' reports on illegal or immoral practices.
4. Measuring the expected impact in the event of any changes taking place in the legal framework to which the Bank is subjected.
5. Ensuring that any products or procedures developed by the Bank comply with the applicable relevant laws in force and the laws governing banking business and instructions issued by the Central Bank.
6. Ensuring that the Bank is sufficiently aware of the risks of non-compliance, which are the risks of legal, regulatory or supervisory penalties or the possibility of exposure to financial losses or reputation risks, as a result of the Bank's non-compliance with the relevant applicable laws in force and the laws regulating banking business and instructions issued by the Central Bank, in addition to international laws governing international banking relations between banks.
7. Submitting compliance reports to the Board of Directors with a copy to the Executive Management.

3. Risk Management

The Bank has a permanent and effective risk management function which is fully independent. The following represent the most important risk management functions:

- The Risk Management Department in the Bank submits its reports through the Director of the Sector to the Risk Management and Compliance Committee. As far as the day-to-day operations are concerned, the Department is associated with and comes under the authority of the Deputy Chief Executive Officer for Risks and Compliance.
- The responsibilities of the Bank's Risk Management Department include:
 1. Analysis of all risks including credit risk, market risk, liquidity risk and operational risk.
 2. Development of measurement and control methodologies for each type of risk.
 3. Recommendation to the Risk Committee concerning risk limits, approvals,

reporting and recording exceptions to the risk management policy.

4. Provide the Board of Directors and Executive Management with information in respect of risk measurement at the Bank (the Board reviews the Bank's qualitative and quantitative risk statistics on a regular basis at each Board meeting).
5. Provide information regarding risks to which the Bank is exposed, so that they may be used for disclosure purposes to the public.
6. The executive committees of the Bank, such as the Credit, Assets and Liabilities Management and Collections Committees, assist the Risk Management Department in carrying out its functions, in accordance with the specific powers vested in these committees.
7. The annual report of the Bank should include information on the Risk Management Department regarding its structure and nature of operations as well as developments it has undergone.

4. External Audit

The Bank has a governance system which ensures the realization of the following:

- Appointing an independent external auditor to perform his/her work and duties in accordance with international auditing standards, aware of his responsibilities to the Bank in respect of due professional care and diligence required in accordance with international auditing criteria and standards.
- Regular rotation of the external auditor in accordance with the instructions issued by the Central Bank.
- Compliance with applicable laws and instructions issued by the Central Bank related to the regulation of the relationship between the External Auditor and other relevant parties.
- Arrangement of regular meetings between the External Auditor and the Audit Committee, being important and essential for enhancing the independence of the External Auditor.
- Ensuring the independence of the External Auditor by ascertaining that he/she has not any interest in the Bank and that no member of the Board of Directors is a shareholder or partner of the External Auditor.
- Review by the Audit Committee of the arrangements with the External Auditor

on a regular basis, to ensure their suitability and compatibility in accordance with the size and nature of the Bank's operations.

- The Audit Committee shall activate the channels of communication between the External Auditor, the Board of Directors and the Executive Management of the Bank and create an atmosphere that enables him/her to obtain all the information, data, records and documents required by the audit process from either the Executive Management or the Board of Directors.
- Effective use of the external audit results in a timely manner.
- The external audit reports must be submitted to the Board of Directors as represented by the Audit Committee and then transferred to the Executive Management for responding to them. Thereafter, the Board of Directors shall issue its instructions to deal with these observations.
- The External Auditor is responsible to the shareholders and stakeholders, as well as to the Board of Directors and the Bank for performing due professional diligence and care, in accordance with the relevant international auditing criteria and standards, thus ensuring the integrity and soundness of the audit procedures in the Bank.

5. Sharia Supervisory Board

The Bank's governance system includes adherence to Islamic Shari'a rules and principles within the framework of providing Islamic financial services in the Islamic Sector. The Board of Directors has appointed a Shari'a Supervisory Board with at least two members Islamic Shari'a scholars, who have expertise in the fields and areas of finance.

1. Members of the Sharia Supervisory Board

Members	Status/Position
Dr. Lutf Mohamed Al Sarhi	President
Dr. Saeed Ali Al Himiari	Member
Hussein Al Siraji	Member and Shari'a Supervisor

The Sharia Supervisory Board convened eight meetings during the year. The SSB does not include as members managers of the Bank. It also does not include shareholders who own

%5 of the Bank's capital or more.

2. Functions of the Sharia Supervisory Board

The Sharia Supervisory Board shall undertake the following tasks and duties:

1. Review and approve contracts, agreements, transactions and policies, systems, mechanisms and programs of work or business, in addition to approval of products and services.
2. Review and approve the policies and procedures manual in connection with their compliance with the provisions and principles of Islamic Sharia.
3. Submit an annual report to the General Assembly of shareholders indicating the extent of the Bank's compliance with the provisions of the Islamic Sharia for the period covered by the report, as well as its observations and recommendations. The SSB's report should be included in the Annual Report of the Bank.
4. Perform the tasks and duties of planning and implementing the Sharia review procedures and preparation of the annual report. The fees obtained by the Sharia Supervisory Board should be dedicated to carrying out the Fatwa and Audit tasks, which include all work and business related to the legal Shari'a field review and follow-up, as well as the SSB's meetings relating to the review duties and tasks. The fees should also cover the studying of the Sharia observations, dealing with them and preparing the SSB's annual report.
5. The SSB also has the right, if necessary, to consult an external auditor (legal if available) in its performance of the above tasks and duties.
6. Provide advice on request to parties providing services to the Bank such as external auditors, legal counsel and consultants.
7. Ensure the adequacy and effectiveness of the system of internal Sharia supervision and control.
8. Provide advice and guidance to the internal Shariah audit department on the scope of Sharia review required and look at the summary of the internal Sharia audit department reports and the responses of management thereon, to ensure the adequacy and effectiveness of the Internal Sharia Audit Department.
9. Coordinating with the Nomination,

Remuneration and Governance Committee and the Audit Committee to ensure compliance with the provisions and principles of Islamic Sharia.

10. Review all reports including the review of compliance with the provisions of Islamic Sharia and its principles, as well as the reports of the Central Bank, the External Auditor and the Management's responses to those reports, in order to assess the efforts made to ensure compliance with the provisions and principles of Islamic Sharia and taking them into consideration in planning the work and business of the external Sharia audit and the Sharia Supervisory Board.
11. Proposing the legal (Sharia) training programs for employees in the Bank in light of the need that it estimates.
12. The right to have full and unrestricted access to all records, documents, transactions and information from all sources, including reference to the relevant professional consultants and staff of the Bank and seeking their assistance.
13. The right to seek assistance and use of external experts to advise the Sharia Advisory Board, specifically on legal and financial issues, at the expense of the Bank after taking the approval of the Board of Directors.

VIII. CONFLICT OF INTERESTS

The Bank has not entered into any contracts that exist or existed, which involve a fundamental interest for any of the members of the Board of Directors or any person related or connected to any of them. In the ordinary course of business, the Bank carries out transactions with some members of the Board of Directors, senior managers and their families and companies in which they own %5 or more of their capital and which were the Bank's customers during the year. The terms of these transactions are approved by the Bank's Board of Directors.

Loans and advances granted to related and connected parties during the year 2019 amounted to Yemeni Riyals(541,424) thousand. These are repayable or have been paid in

accordance with contracts signed with them. Loans and advances are usually provided to the related and connected parties against guarantees of the related or connected party's salaries and cash deposits.

IX. SHAREHOLDERS' EQUITY AND RELATIONSHIP WITH THEM

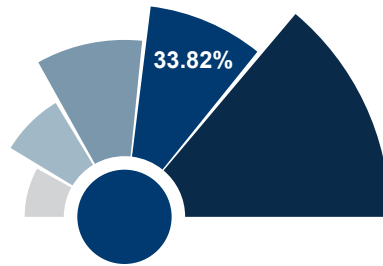
1. The Bank protects the shareholders' equity and rights as imposed by the relevant laws in force and the laws and instructions issued by the Central Bank.
2. Discussing the work and business on the agenda of the General Assembly and directing inquiries to the members of the Board of Directors, the Executive Management and the External Auditor.
3. Shareholders are urged to attend the Bank's General Assembly meeting and the date and place of the meeting are arranged in such a way as to facilitate and encourage them to attend the activity.
4. The Chairmen of the Audit Committee, the Nomination, Remuneration and Governance Committee and any other committees emanating from the Board of Directors attend the annual meeting of the Bank's General Assembly.
5. Representatives of the external auditors attend the annual meeting of the Bank's General Assembly, in order to answer any questions that might arise and be posed regarding the audit and the auditor's report.
6. Voting shall be conducted separately on each issue raised during the annual meeting of the Bank's General Assembly.
7. Following and at the end of the annual meeting of the Bank's General Assembly, a report is prepared to inform the shareholders of the observations made during the meeting and the results, including the results of the voting, the questions raised by the shareholders and the responses of the Executive Management thereon.

X. RELATIONSHIP WITH INVESTMENT ACCOUNT HOLDERS

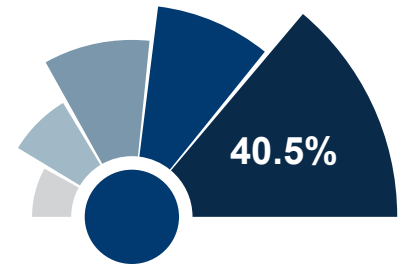
1. The Bank recognizes the rights of the investment account holders in following up the performance of their investments, the related risks to which they are exposed and establish adequate means to ensure the

- preservation, safeguarding and exercise of these rights.
2. The Bank adopts a sound strategy which is consistent with the expected risks and returns to investment account holders (taking into consideration the distinction between restricted and unrestricted investment account holders), as well as applying transparency in supporting any returns.

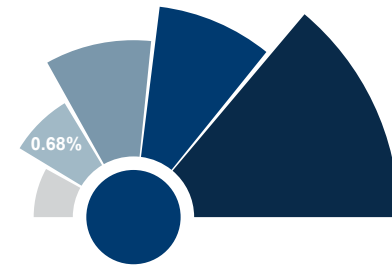
XI. PROPORTIONAL SHARE IN CACBANK'S CAPITAL IN PERCENT



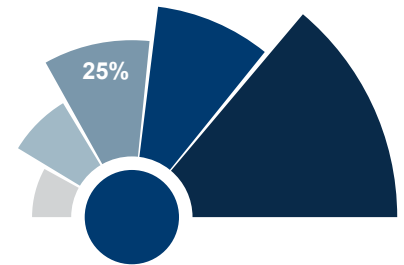
Government represented by Ministry of Finance



Government represented by Agriculture & Fisheries Production Support Fund



Government represented by local Government Ministry & General Cooperative Federation National & Agricultural



Government represented by Civil Aviation & Meteorology General Authority



CACBANK 2019 FINANCIAL PERFORMANCE REPORT

The repercussions of the war still cast a dark shadow on the country's economy, as they have had a great impact on the financial and business establishments, especially the Yemeni banking sector, which have led to a strong reluctance on the part of depositors to save their money in banks, since the last period witnessed a significant decline in many indicators of banks and financial institutions. Furthermore, the quality of investment and credit portfolios has deteriorated and the allocated provisions increased, reflecting the growth of non-performing debts as an inevitable result of the crisis.

Despite these transformations and changes taking place in the country, the Cooperative and Agricultural Credit Bank "CAC Bank" managed during 2019 to avoid many of the difficulties and negative effects left by the crisis, thanks to the highly effective management of this crisis, enabling the Bank to achieve good financial figures at the end of 2019 despite the magnitude of the economic crises experienced by the country, the effects of which are still present.

The Bank has taken many measures, including the formation of specialized committees to manage liquidity and meet customers' requests, in order to reduce the Yemeni rial liquidity crisis. During the same year, the Bank expanded the work of the electronic cash project "Mobile Money" extensively for the purpose of reducing transactions in actual cash, in an effort

to solve part of the problem of lack of liquidity in Yemeni rials.

All these measures taken and still being taken by the Bank have enabled it to preserve the Bank and strengthen the volume of its financial indicators, thus restoring confidence to the public dealing with it.

We will present to you hereunder a report on the most important developments in the Bank during the year 2019 and the extent of the successes it achieved to maintain its financial position, its effective contribution in the management of the economic crisis and its role in the stability of the economic situation in the country:

CACBANK's 2019 SUCCESSES

01

Collection of a portion of bad debts overdue for years, where the amount recovered from the provisions as a result of that collection amounted to 6.7 billion rials

02

The Bank's assets increased to 453 billion rials, a growth rate of %8 over the previous year and by 38 billion rials

03

Increase in depositors' funds to 453 billion rials, a growth rate of %9 over the previous year and by 36 billion rials

04

Increase in income generating assets to 396 billion rials, a growth rate of %4 over the previous year and by 15 billion rials

CACBANK's contribution to the banking sector

01

The Bank contributes %13.7 of the total assets of the banking sector

02

The Bank contributes %16.3 of the total deposits in the banking sector

03

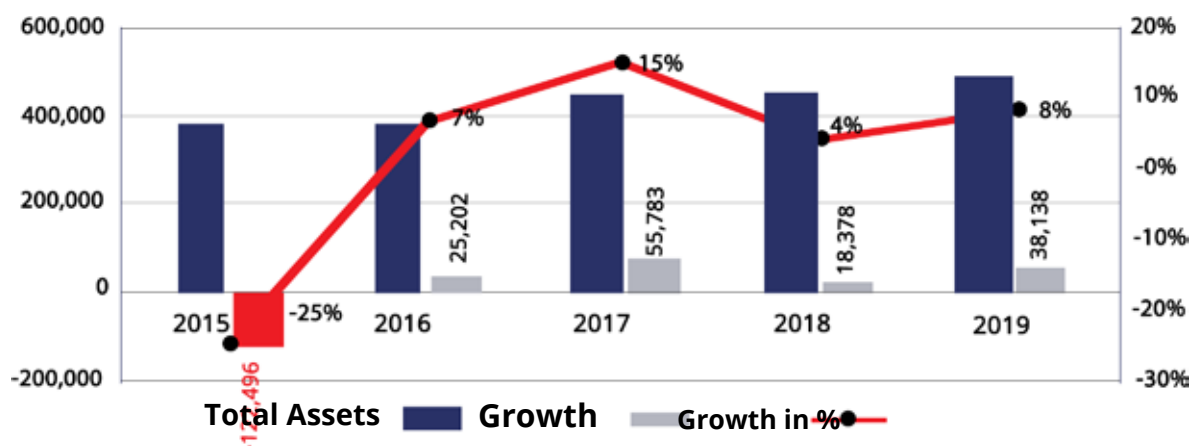
The Bank contributes %14.7 of the total credit portfolio of the banking sector

Total Assets:

Total assets as on December 2019 ,31 amounted to 497 billion riyals, compared to 458 billion riyals on the same date of the previous year, with a growth of 38 billion riyals, or %8.

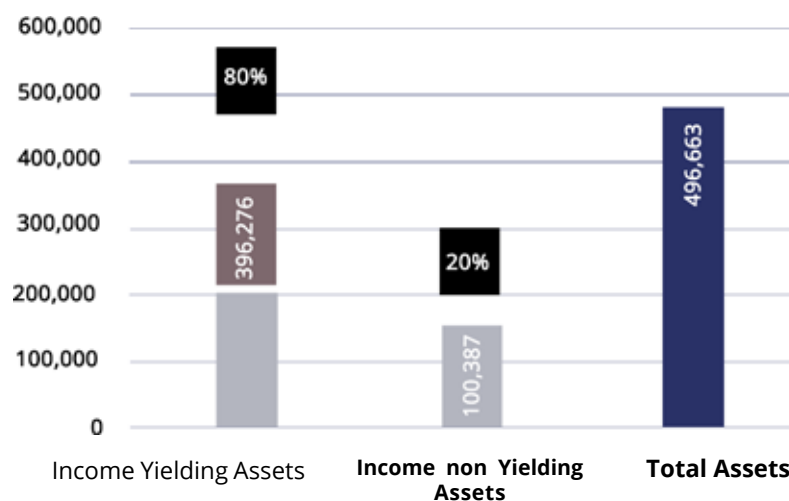
In comparison with the Yemeni banking sector, the Bank contributed approximately %13.7 of the total assets of the Yemeni banking sector as a whole vis a vis 13.8 % in 2018.

Total Assets in million rials during 2015--2019



The income-generating assets of the Bank amounted to 396 billion rials at the end of 2019, compared to 100 billion rials non-income-generating assets (381 :2018 billion rials are income-generating assets and 78 billion rials non-income generating assets).

Distribution of Cacbank's Assets in million rials in 2019



Loans, Facilities and Financing Activities:

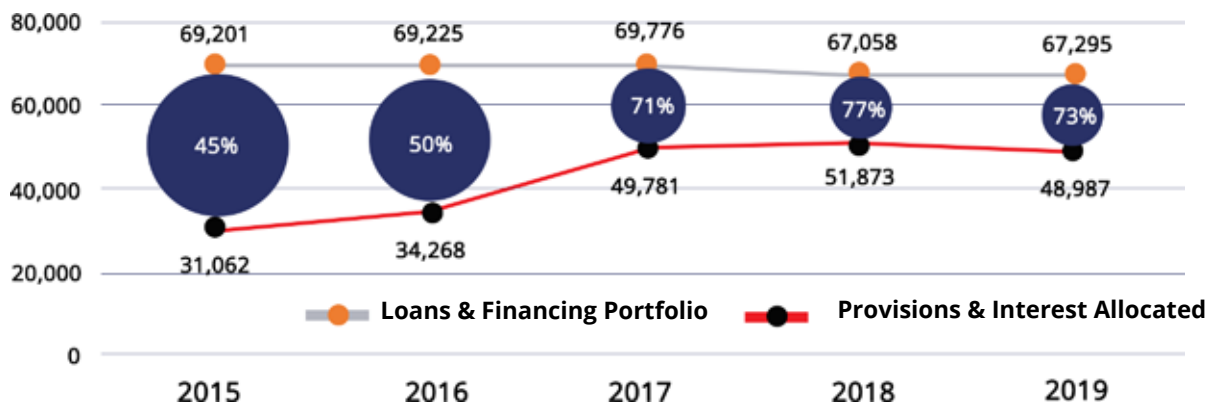
The Bank has adopted a cautious credit policy during the past five years, as a natural product of the crisis that the country is going through, which has led to a very significant deterioration of economic activities. This is the reason for the high volume of credit risks, in addition to the lack of cash liquidity and the paralysis afflicting economic activity. As a result of this deterioration and other factors, the Bank has resorted to forming mini-committees to collect previously granted debts and to practice lending activity in a very limited way to ensure the preservation of the Bank's funds, in addition to creating the necessary provisions to face any potential risks as a result of default.

Nevertheless and despite the crisis, the Bank has realized many achievements by way of collecting previous debts, as it has been able to collect debts that were essentially non-performing and an amount of 6.7

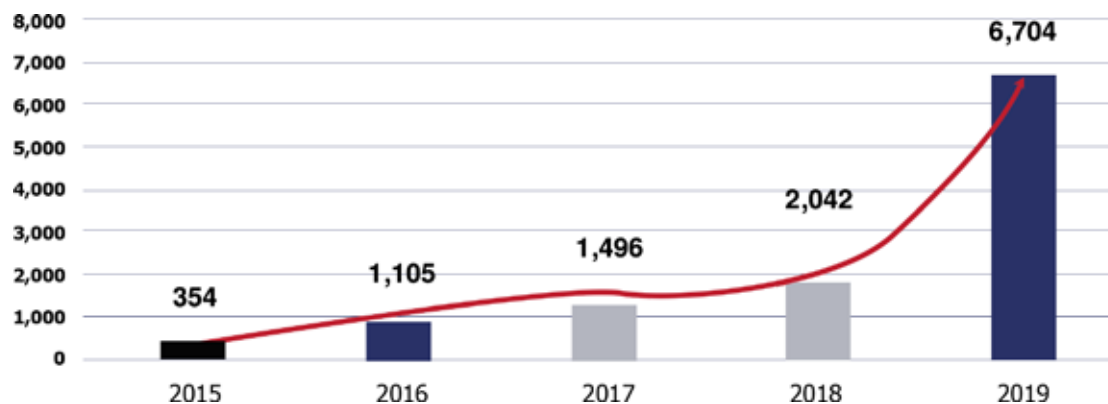
billion rials was recovered during the year 2019 as a refund from the provisions resulting from these collections.

The charts below show the most important changes which occurred in the loan and financing portfolio during 2019

Loans & Financing compared with Provisions & Interest in YR mn



Provisions Recovered in YR mn during 2015--2019

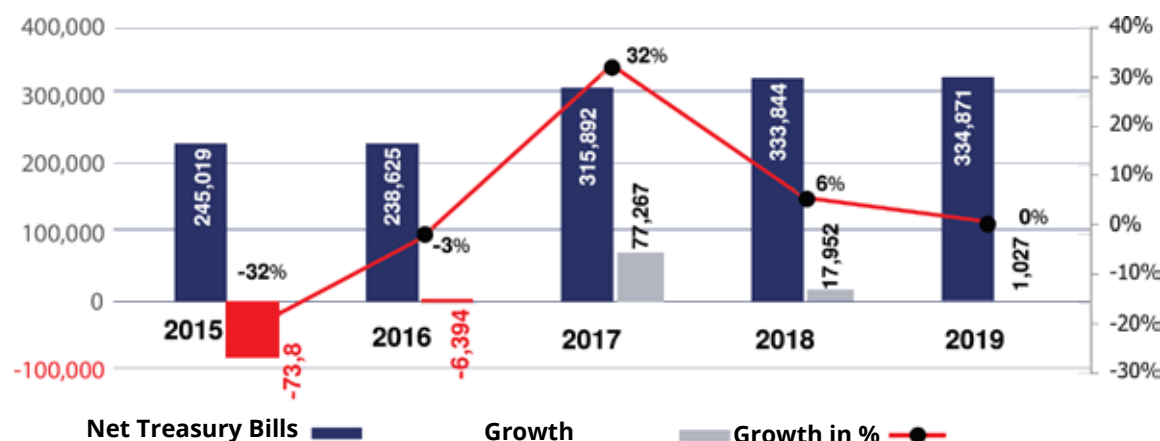


Investment in Treasury Bills:

The Bank has a large investment portfolio in public debt instruments "treasury bills" as the net investment at the end of 2019 amounted to 335 billion riyals, an increase of 1 billion rials over the previous year. All treasury bills owned by the Bank are short-term, accounting for %99.98 of them, maturing in less than three months.

The diagram below explains more about this type of investment:

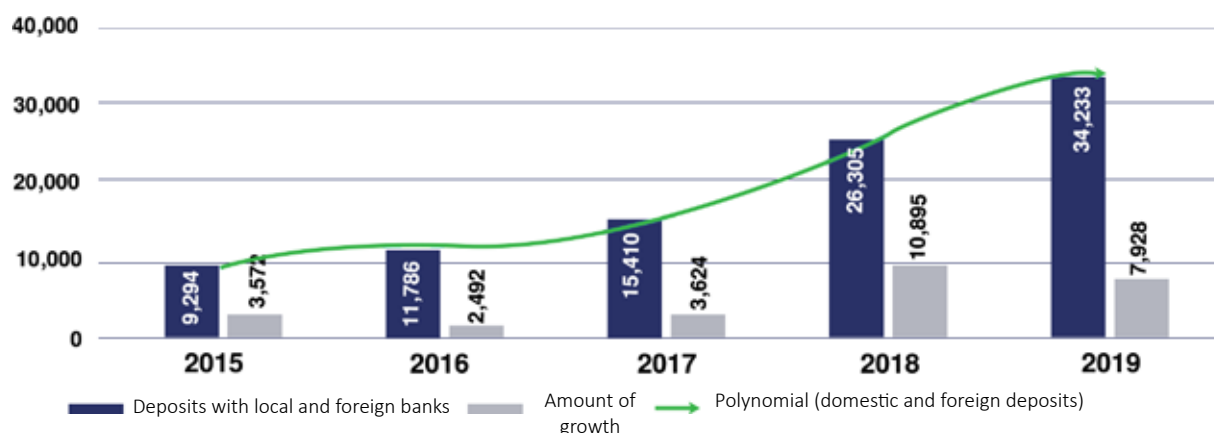
Treasury Bill Investments in YR mn during 2015--2019



Investing in Deposits with Local and Foreign Banks:

As one of the alternatives that the Bank pursues in diversifying its investment portfolios is investing in deposits with local and foreign banks as a type of dealings between banks, where the total income-generating funds deposited with local and foreign banks amounted to 34 billion rials at the end of 2019 compared to 26 billion rials on the same date of the previous year. The funds deposited with local banks represent %98.5 of the total.

Deposits with Local & Foreign Banks in YR mn during 2015--2019

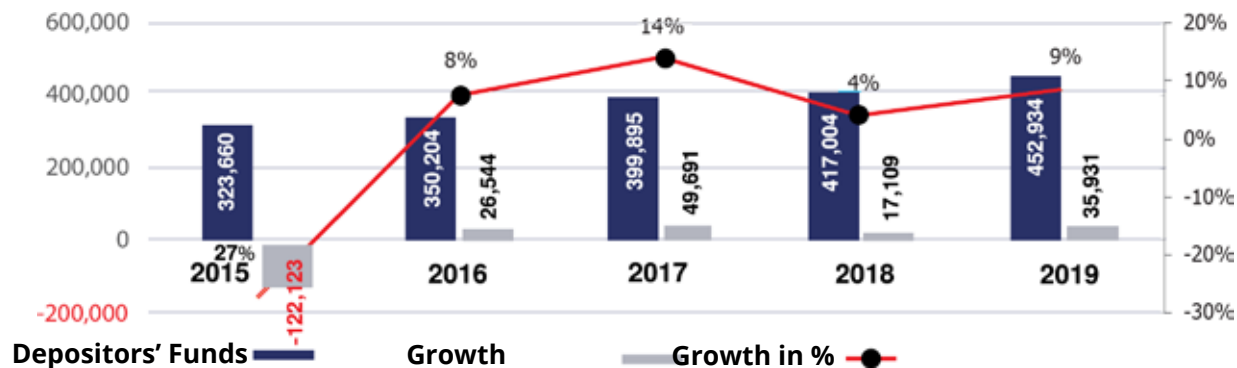


Depositors' Funds (Banks & non-Banks):

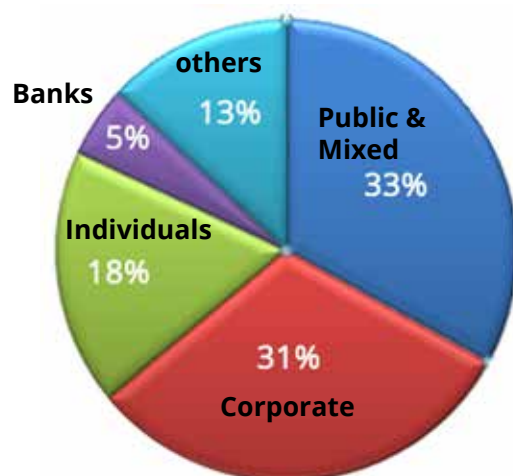
The depositors' funds in the banking sector remained somewhat constant and stable during the past five years, despite the loss of public confidence and the reluctance of depositors to place their funds with the banking sector. Moreover, the measures taken by banks in managing depositors' funds had an impact on maintaining the sector's resilience against the shocks to which it has been exposed during the past years. In recent years, the Bank has been able to regain the confidence of its customers through the application of work mechanisms to manage withdrawals from depositors' funds. The Bank continues to innovate every day modern methods aimed at facilitating customer withdrawals and rebuilding confidence.

The total funds of depositors (banks & nonbanks) on December 2019 ,31 amounted to 453 billion rials, compared to 417 billion rials on the same date of the previous year, with a growth of 36 billion rials or %9. In comparison with the Yemeni banking sector, the Bank contributes 16.3 % approximately of the total customer deposits with the Yemeni banking sector as a whole (%16.5 in 2018).

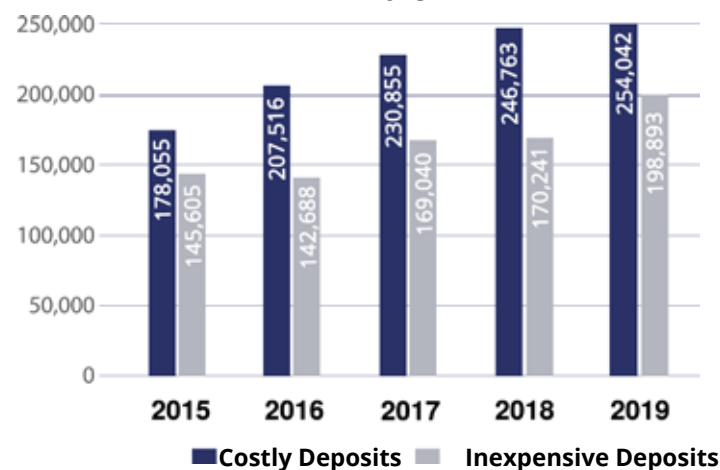
Depositors' Funds (Banks & non-Banks) in YR mn during 2019-2015



Distribution of Depositors' Funds by Sector in 2019



Distribution of Costly & Inexpensive Depositors' Funds in YR mn in 2019



Equity Indicators:

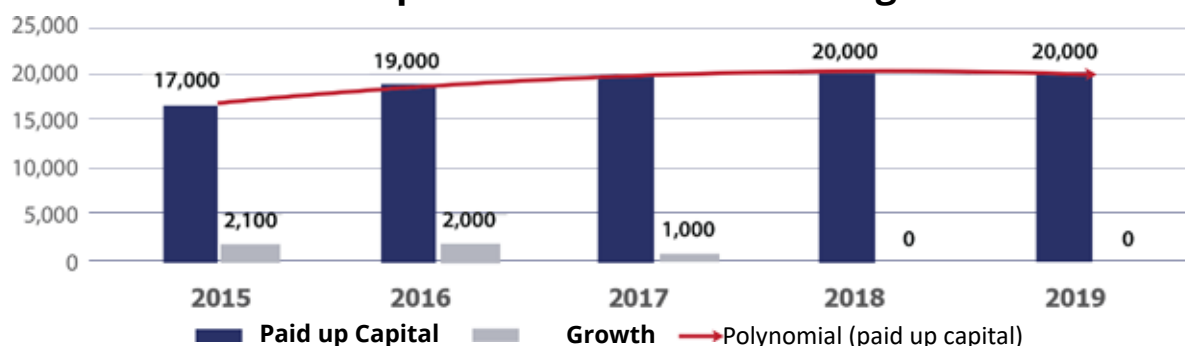
The capital base in any bank or financial institution is one of the most important lines of defense to face risks and crises, as well as to absorb the effects of shocks that may occur as a result of reasons attributed to the institution itself or causes that are beyond the control of the institution, as is the case in the current crisis that the country has been going through for a decade.

The Yemeni banking sector has been facing very serious challenges for years, owing to the unstable security conditions, which may expose banks to high risks, the most important of which are (rising exchange rates to high levels, the collapse of banks as a result of the severe liquidity crisis or the lack of income-generating investment instruments leading to the complete inability to operate depositors' funds...etc). All these challenges make banks look for different sources to support their capital in order to absorb any potential shocks or losses.

Accordingly, the Bank follows a fixed policy to support its capital annually from the net profits achieved, for the purpose of forming a strong capital to face any potential risks that may arise as a result of the crisis, by absorbing any losses resulting from the bad economic conditions that the country is going through, in addition to facilitating the Bank's business including the opportunity to attract new capital. The total paid-up capital on December 2019, 31 amounted to 20 billion rials, compared to 20 billion on the same date of the previous year. The Bank did not increase its capital in the previous two years owing to the allocation of the realized profits to form a provision for the year 2017 by an amount of 5.8 billion rials to face the potential risks of the currency position, in addition to reducing it by 11 billion rials during the year 2018.

The Bank always maintains a balanced capital adequacy relationship in accordance with the requirements of the Basel Committee. Below is a chart of capital adequacy rates during the period 2015-2019, according to the Basel rules

CACBANK's Capital in million Rials during 2015--2019



CACBANK's Capital Adequacy during 2015-2019

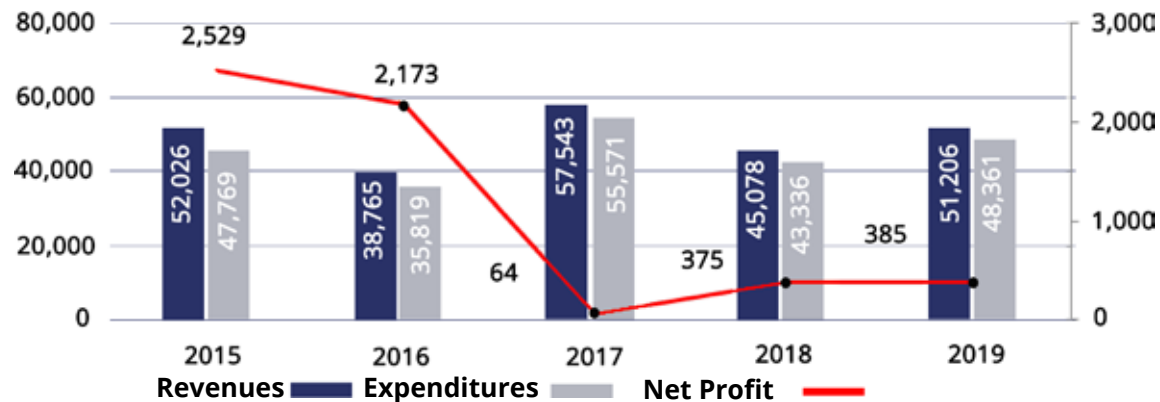


Profitability

Despite good returns, most of which were used to support its plan to reduce the currency position, as well as to create the various provisions needed to face any the economic stagnation during the past years, the Bank achieved potential risks.

The Bank achieved a net profit of 385 million rials for the year 2019, compared to 375 million rials during the previous year.

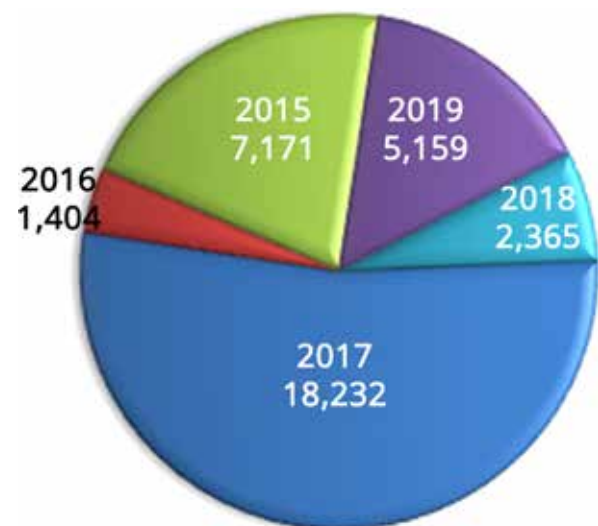
Revenues & Expenditures in million rials during 2015--2019



Amounts Paid to the State (Taxes & Zakat) in million rials during 2015--2019



Provisions Allocated in million rials during 2015--2019

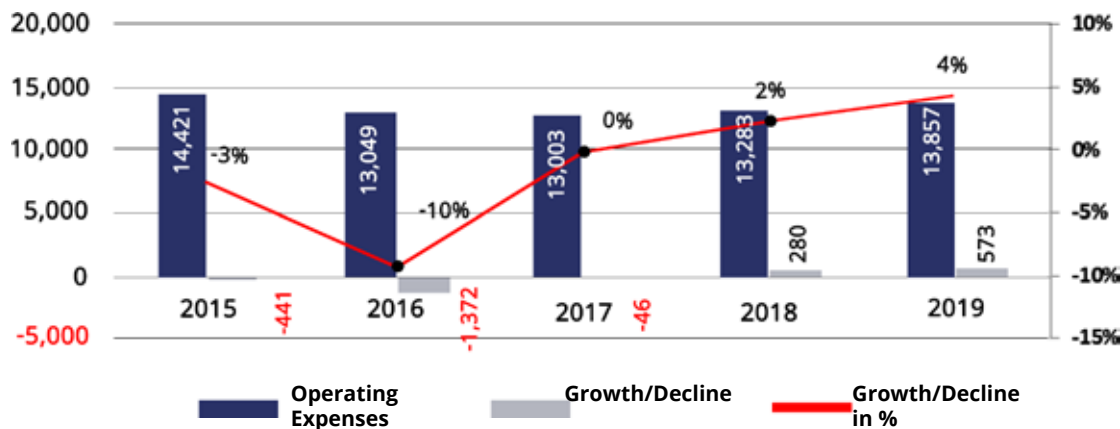


Operating expenses:

Despite the significant increase in the general level of prices in addition to the rise in foreign exchange rates, the Bank was able to maintain good spending levels and in some years it achieved actual savings compared to the years that preceded them. This is conclusive evidence of the capability of the Bank's leadership in conducting the Bank's business according to the highest quality and lowest cost, as reflected in the profits achieved by the Bank during the last period.

The total operating expenses during the year 2019 amounted to 13,857 million rials, compared to 13,283 million rials during the previous year, registering a growth of 573 million rials.

Operating Expenses in million rials during 2015--2019



The Bank's Social Responsibility towards Society:

Despite all the circumstances that the country is going through, the successive economic crises and the conditions that the Yemeni banking system is experiencing, the Bank has not forgotten its social responsibility towards the middle and lower class members of society. It has contributed to a multitude of various patronage and assistance events aiming at reducing the negative effects of these circumstances. The most important contributions made by the Bank during the year 2019 were as follows:

- * The Bank's contribution of 15.3 million rials to support the Ministry of Education in conducting ministerial exams.
- * The Bank's contribution to the implementation of many community participations for individuals and associations in order to alleviate part of the suffering.



A comprehensive Banking System

A comprehensive banking system that enables a customer to obtain many of the banking services from anywhere in the world at any time through the Bank's Website.

**Carry out your Banking Operations
While at your office**

Service advantages:

- It does not have any fees or commissions.
- You can carry out banking operations from anywhere and at any time.
- It enjoys high confidentiality, and a global data encryption system

Services it provides:

- Opening documentary credits.
- Foreign remittances.
- External collateral opening service.
- Open local guarantees
- Transfers of all kinds
- Bill payment service
- Account statements review service.
- Exchange rate review service.

A close-up photograph of a hand placing a light-colored wooden block onto a stack of similar blocks, forming a Jenga tower. The blocks are arranged in a staggered pattern, and the hand is positioned on the right side of the frame, with fingers visible as they hold the block.

Risk Management

The Risk Management Department is working in CACBANK through a framework for risk management which extends across the institution as a whole. In order to achieve the desired objectives, the Risk Management Department continuously conducts monitoring and control for all types of risk and operations in all departments and branches of the Bank to identify, evaluate, measure and manage risks, as well as issue reports on potential threats that may impede the achievement of the Bank's objectives. The risk management policies, models, tools and systems are regularly reviewed in order to improve the framework of work and reflect the changes taking place in the market

The following is a detailed explanation of the most important risks associated with banking business:

Strategic risks:

These risks may result from negative administrative decisions or flawed implementation of these decisions by business units, as well as the absence of strategies clearly defined in terms of direction and business goals or failure to possess enough programs and products and adequate preparations for plans for business continuity to deal with disasters, in addition to incorrect assessment of external factors. The Bank has reduced these risks through the implementation of strategic plans and specific growth parameters and has documented emergency plans for disaster response, as well as provided detailed evidence in this regard to Bank staff with the necessary training and keeping them continuously aware of these hazards, in addition to updating the systems.

Credit Risk:

Means the risks resulting from the indifference of the borrower to fulfill its obligations to the Bank or that it has become

unable to meet them, thereby exposing the Bank to actual or potential losses accompanied by a decline in quality of credit extended to these borrowers or counterparties and / or a decrease in the value of collateral held by the Bank. Therefore, the identification, measurement and management of risks is one of the strategic priorities of the Bank and credit risk is managed through a comprehensive and orderly assessment of credit, in addition to obtaining the required guarantees where necessary, as well as continuous monitoring of advances and facilities at the account level and the portfolio as a whole.

Credit Risk Management Structure:

The credit risk management is considered an independent function separate from the credit business, as it supervises the preparation of policies, setting limits, monitoring facilities and exceptional cases, reporting and maintaining the commitment of documents, monitoring them, classification of advances, follow up of collection of nonperforming debts and determining the required provisions.

The main objectives of credit risk management include ensuring the following:

- Identifying, evaluating and monitoring credit risks at the level of the Bank as a whole, mitigating them “however possible” and reporting them on an ongoing basis at the customer and portfolio levels.
- The credit facilities granted by the Bank are within acceptable risk limits of the Bank as approved by the Board of Directors, including the ceiling for a private borrower and group, classification of borrowers and analysis of the portfolio, as well as limits set on counterparties and credit concentrations for the purpose of credit risk measurement and its effective management.
- Reviewing and evaluating credit facilities within the structure of approval limits and powers before commitment to granting them to customers.
- Ensuring the completeness of the documentation and the adequacy of collateral in accordance with the approval conditions before granting credit facilities to customers.
- Monitoring the credit concentrations of the various economic sectors, geographic locations and counterparties.
- Precautionary and effective control of the accounts in terms of the quality of assets and the immediate and early detection of any negative factors or warning indicators that may eventually lead to the deterioration of the capabilities of collection and retrieval.
- Involving the concerned departments at an early stage to take the necessary corrective measures before things get out of control.
- Monitoring the compliance with the agreed credit limits for the parties, sectors, countries and others on an ongoing basis and reviewing the ceilings, according to the risk management strategy and market trends.
- Reviewing business proposals in terms of the risks involved, especially with regard to the risk of default, before launching new products.
- Periodic review of all banking facilities to ensure that there are no negative indicators or regression that requires taking precautionary measures.
- Providing credit information about customers and clarifying the size of their obligations to other banks through the Banking Inquiry System.

Liquidity Risk:

Means the possibility of the bank's inability to fulfill its due obligations towards other parties and this is why good management and planning of liquidity is important, so that the bank can always meet its obligations towards other parties and be able to face and deal with its financial liabilities at any time. In times of crises, the Bank's ability to manage liquidity requirements may be affected, owing to the increase in the cost of sources of funds or the difficulty of attracting trade finance business opportunities. Therefore, the Bank has a comprehensive framework of liquidity management at the institutional level to manage liquidity risks of the group as a whole. This framework identifies the liquidity risks acceptable at the level of the group by means of setting limits and ceilings for them.

Within the liquidity risk management procedures, the Bank is keen at all times to have sufficient funding from various sources. Expanding the deposit base and diversifying it by minimizing dependence on large deposits to reduce the risks of concentration and maintaining an appropriate mixture of deposits, including deposits with low cost are considered to be the measurement criteria on which the Bank depends for maintaining an appropriate deposit base. Furthermore, the Bank relies on multiple quantitative indicators to manage liquidity risks.

The Bank also maintains high quality liquid assets which can be converted into cash within a short period if necessary. Under the liquidity policy of the Bank it is essential to maintain a set of liquid assets that can be easily accessed in crisis. Moreover, the liquidity position in the Bank is subject to checks and tests under different pressure situations, in order to assess the potential effects on liquidity. These scenarios depend on historical, presumptive and virtual events. The results obtained from these experiments are very useful in determining the targeted liquidity risks.

Furthermore, the Bank has a contingency plan for liquidity management which explains in detail how to deal with stressful events on liquidity in times of crisis. However, since the occurrence of such events cannot be predicted in advance, this contingency plan has been designed in such a way as to be flexible enough to provide more than one option to which can be resorted during liquidity crises.

Exchange Rate Risks:

Mean the risks of differences or variations in the exchange rates of foreign currencies against the Yemeni riyal, resulting in either a short position with foreign currency liabilities exceeding assets in foreign currencies or vice versa.

In order to monitor currency risks, the Bank takes the following procedures:

- Setting limits for dealing during the day for each currency.
- Monitoring currency positions daily.
- Doing a monthly gap analysis for currencies.
- Preparing a daily report on total assets and liabilities in foreign currencies.
- Create provisions to cover potential losses against losses in the currency position.
- Re-evaluate all existing foreign currency positions according to different scenarios to know potential losses or profits in each scenario.

Interest Rate Risk:

Interest rate risk arises from the possibility of changes in interest rates that would affect the value of financial instruments or the Bank's future profits. The Bank is exposed to interest rate risk as a result of gaps or mismatches between assets and liabilities.

Operational Risks:

These are the risks of losses resulting from inadequate or failed internal processes, automated systems and human resources or owing to external events. The Bank has detailed policies, procedures and operational risk management tools which are updated regularly to ensure the existence of a sound internal control environment in the Bank. The Bank reviews the various recommendations issued by the Basel Committee regarding sound practices for managing operational risks, closely monitoring and supervising them and working on their implementation. The Operational Risk Section monitors the implementation of an effective risk management framework and the use of appropriate systems, practices, policies and procedures to verify the effectiveness of risk identification, measurement, evaluation and reporting mechanism. These are also monitored by the Section within the group.

Each business unit shall implement procedures for managing operational risks in line with the general framework specified for it and the methods applied to manage operational risks include the following:

- The procedures of the Bank's operational risk management at the institutional level provide effective programs to increase employees' awareness of the risks and for documentation of processes and procedures and the existence of appropriate controls to protect the Bank's assets and records, conduct reconciliations and adjustments of accounts and transactions on a regular and effective basis, design new products, review outsourced operations and security information systems, as well as segregation of duties and financial reporting systems.
- Submitting reports related to cases of risks (losses incurred or nearly incurred by the Bank and those potential losses) as they help in identifying the supervisory procedures that are required to be introduced to reduce and limit the recurrence of such risks. These risk cases are also analyzed, reported, reduced and recorded in a central database and then reports are submitted in this respect to the Chairman of the Board of Directors.
- Applying the self-assessment system for risks, which method leads to a detailed understanding of the inherent risks, by means of evaluating controls at the level of the Bank as a whole, thus ultimately helping the business units in identifying operational risks for each of the various activities of the Bank. At the same time the necessary corrective actions are taken for the risks which are identified and monitored on an ongoing basis.

Reputational Risks:

Reputational risks relate to the possibility that negative impressions of the Bank will adversely affect its reputation, resulting in significant losses in income or serious effects on the market value or customer base. Reputational risks may also result from adverse reactions by stakeholders owing to actions taken or not taken by the Bank or its officials. These risks result from poor levels of customer service, a high rate of complaints, non-compliance with the laws and instructions of the regulatory authorities and the imposition of financial fines on the Bank, owing to the existence of irregularities and contraventions. Negative publicity in the mass media will also increase these risks. To mitigate these risks, the Bank has established multiple units and call centers for customer service and to monitor the quality of services provided through service delivery channels with the aim of taking the necessary corrective measures at the appropriate time.

Legal Risks:

Legal risks include those involving exposure to loss as a result of the Bank's failure to comply with local laws or breach of ethical standards and contractual obligations with counterparties or customers. These risks also include the possibility of the Bank being subjected to legal prosecutions owing to non-performance of contracts concluded with suppliers, counterparties or regulatory authorities. In order to avoid the occurrence of such risks, the Bank maintains a team of qualified employees and legal advisers who are in charge of ratifying all the agreements concluded by the Bank with the other counterparties, as well as reviewing all documents, products and services offered to customers and counterparties.

Anti Money Laundering

The Bank, along with other banking laws and instructions when implementing its operations, relies on the Anti-Money Laundering and Terrorist Financing Law and the relevant Central Bank publications. The Bank implements best practices in the field of combating money laundering and terrorist financing and the recommendations of the Financial Action Task Force (FATF), in order to reassure itself that its operations and transactions have been conducted with zero or minimal money laundering and terrorist financing risks.

As the Board of Directors has always been keen to comply with the Anti-Money Laundering and Terrorist Financing Law, an independent function has been established to deal with combating money laundering and terrorist financing. Furthermore, the Board has appointed a senior officer responsible for compliance, whose duty is to implement and follow up the requirements of this function and ensure its success.

The Board of Directors has approved the anti-money laundering policy and ensured that it is applied in all manuals, procedures and business models for banking services provided by the Bank, relying on the risk-based approach.

The Bank is keen and interested in implementing continuous and up to date training courses, particularly in the field of combating money laundering and terrorist financing.

One of the most prominent things that the Bank has done is to provide a specialized system (SAS), which works by identifying suspicious transactions to facilitate the task for the compliance function to start an investigation and then decide whether it is worth raising as a report of a money laundering or terrorist financing operation.

In addition to the above, the Bank mainly focuses on the following tasks:


- Accepting customers and ensuring that a relationship with prohibited or fictitious individuals or legal persons is not entered.
- Updating the data and documents of accepted customers relying on the risk-based approach.
- Keeping records, data and documents in a secure manner and ensuring that the process of retrieval is easy.

Follow-up and Special Transactions Department and Collection and Non Performing Loans Treatment Committee

The Follow-up and Special Transactions Department and the Collection Committee based their work on two principles:

I: Direct and flexible negotiation with the aim of arriving at amicable solutions with minimal problems and not resorting to legal procedures except when absolutely necessary.

II: Understand each task and its background in debt collection before commencing the follow-up procedures and taking into account the customer's situation and resources through inquiry, verification and an accurate database before making the appropriate credit decision. This approach has contributed to retrieving non-performing loans for years with the least cost, resulting in achieving the required objective with an increase of 10 % under extremely difficult circumstances after applying the fruitful treatments.



CAC Online

A Safer, Faster and Easier Service



CAC Online is a service enabling our customers to review their accounts from anywhere at any time through the Bank's Website by clicking on the CAC Online icon.

Advantages

- The customer could obtain this service by visiting the nearest CAC Bank branch and apply for the service in order to get a username and password.
- You can access your bank account page and review any information you need about your various accounts.
- Making a printout of your account statement in PDF format for the time period you specify.
- Banking data and operations are covered by a high degree of security.

Information and Communication Technology

The rapid progress in information and communication technology has had a radical impact on the financial sector in general and the banking sector in particular over the past decades and it has now become a very important tool with strategic benefits for banks, which achieves progress and success and provides better quality banking services to customers.

It is worth mentioning that most banks are making great efforts to keep pace with these modern and advanced systems and innovative and new banking operations, as we find that the development of information and communication technology has given banks a great opportunity to provide the most diverse and profitable financial services without opening new branches.

All banking institutions and our Bank in particular depend directly on technological and technical support to provide modern services and products which meet the requirements of the banking market and customers. Within this framework there will be requirements, the most important of which are the advanced infrastructure and technological transformation in banks. Therefore, all of these things depend, as we have seen, on technology mainly in order to move forward into the future.

Information technology is one of the factors that the Bank is betting on to achieve leadership in the local market and to outperform competitors in providing financial and banking technology services.

In the field of information technology and through the Operations and Information Technology Sector, the Bank has implemented a long-term strategic plan to meet the current and future requirements and plans to expand the area of spread and introduce and operate modern financial and banking services to ensure that the Bank remains ahead of competition.

The Bank has developed and is still developing and modernizing the database infrastructure and its services according to a well-studied strategic plan, a large part of which has already been implemented. It has also been taken into account that the plan should be in accordance with international standards based on a scale and criteria of efficiency, effectiveness, continuity and control of services, all of which have contributed to the quality and efficiency of performance. This plan has led to our qualification for the third rank and the achievement of reliability (Creditability Tier) in preparing and equipping databases, which means that infrastructure services of the database centers for hosting the devices have become with multiple operational alternatives which ensure the continuity of service provision from several sources.

The following are many technological services, on which the Sector has worked:

- The largest database center at the level of Yemeni banks.
- Readiness of the database center for infrastructure services to accommodate and meet the Bank's requirements to operate the new banking and financial technology services.
- Running about %70 of financial and banking services in virtual servers.

Applying International Best Practices

In order to improve the quality of service delivery, the Bank has developed and restructured Business Process Engineering policies and procedures related to electronic money services, to be in line with international best practices and (GSMA) standards.

The Operations and Information Technology Sector has also worked to implement the requirements of the international GSMA Mobile Money Certification, which aims to protect the rights of consumers, provide reliable and secure services and comply with the instructions to combat money laundering and terrorist financing. The GSMA includes about 700 standards distributed over eight areas, the most important of which are information security, data privacy and confidentiality, money protection, transparency, operations, customer service, anti-money laundering and combatting terrorist financing and fraud. CAC Bank also applies high protection measures to safeguard the information technology through which all its electronic services are managed, including devices, data and software, which encompass data encryption, access authentication, SSL certificate and other globally recognized information security means.

Updating and developing each of the following to the latest versions in the main and backup centers:

- Virtual environment for servers.
- Data storage system.
- Operating systems for alternative servers.
- Infrastructure of the network system by installing the latest network equipment
- Security systems for the network.
- Updating the infrastructure of the Bank's systems to accommodate e-wallets as a new product.
- Updating and improving the synchronization of data transfer, processing and storage between the main and backup centers.
- Expansion of the Converged Infrastructure environment using Dell EMC Blades Generation 13, which is the latest and final generation in the series.
- Moving to the latest version 7.0 of the server virtual environment and the synchronization and backup systems associated with it.
- Launching the mobile money e-wallet service operating systems and preparing its requirements.
- Synchronization of Mobile Money databases at the level of transactions and synchronization of its backups.
- Operating the branches' access to the network through the main center and the reserve (backup) at the same time
- Expansion of the test environment to ensure that the services are tested before they are run
- Continuity of maintenance and technical support contracts to ensure replacement of faulty parts and to ensure that systems operate continuously with high efficiency and are updated to address security vulnerabilities.
- Continuing to develop and update the processing servers to improve the speed of performance and data processing.
- Continuity of raising the data storage capacity of the central storage systems in the main and backup centers.
- Continuously update the master data system in the main and reserve (backup) data centers to keep pace with the growing needs.
- Raising the efficiency and qualification of the specialized technical staff with high expertise in line with the developments of the labor market.
- Continuous information security development to ensure protection from high risks.
- Continuing to update all devices with the latest drivers, protection and anti-virus programs to ensure optimal performance in business continuity.
- Periodic maintenance of the devices of the departments and branches.



Human Resources - The Biggest Contributor to the Bank's Success

Attention to human resources and the development of their capabilities is one of the most important and prominent core values of the Bank, the management of which considers the human element as its true wealth and its most important and cherished resource, realizing that they are the ones behind any success it achieves. For this reason, the Bank management's attention has been to focus on the development of human resources, especially the branch employees, as they are the Bank's front line, in order to improve their performance and raise their capabilities to enable them to achieve the goals set for them.

The Cooperative and Agricultural Credit Bank was not immune from the current situation, but it tried hard to overcome these difficulties to preserve its existence by continuing to provide services and products to customers, as a result of the efforts made by the Bank's employees and what the Human Resources Department provides in their support, which has been an important achievement in light of the prevailing circumstances.

The most prominent services were the following:

- Providing health care in the field of insurance for the Bank's employees and their families and granting them health insurance cards, through which they can obtain all services and medical care by means of a wide network of hospitals and health centers within the Republic, as well as some countries abroad, in addition to life and retirement insurance.
- Supporting the Bank's employees through the school subsidy to enroll their children in primary and secondary schools.

Achievements of the Year 2019

The most important achievements of the Human Resources Department within the strategic objectives of its plan for the year 2019 were the following:

- Automation of human resources procedures, including: health insurance data and pension insurance data.
- Determining the indicators of job satisfaction, as well as the annual measurement of the rate of job satisfaction by submitting an electronic questionnaire to the Bank's employees to determine their satisfaction with human resources services, where the percentage of job satisfaction for employees reached %84.
- Adding the benefits of the health insurance policy to most of the benefits and services provided by insurance companies, as the insurance coverage included increasing the coverage of cancer and dialysis cases and raising some insurance ceilings.
- Renewal and evaluation of approximately 202 guarantees (policies).
- Implementing career path policies at %40 of jobs through planning resource needs, in order to absorb the surplus, provide the deficit and embody the principle of equal opportunities at internal polarization through differentiation criteria to ensure a fair selection in appointments and promotions.
- Updating and reviewing job description cards. %40 of the number of departments have been reviewed and updated. The importance of updating job cards lies in job evaluation, performance evaluation, training and management development through the larger plans provided by the job description to develop the Bank's organizational structure.

...the world will never remain the same, as it is constantly changing and developing and these changes and developments have intensified owing to modern technical inputs which will undoubtedly cast a shadow on the future of human resource management.

The cadre in statistical figures during the year 2019:

	Males	Females
PhD	6	0
Masters	31	7
Bachelor's degree	764	202
High School	468	60
Preparatory	43	10
Elementary	32	6
Without qualification	51	15

launched Electronic Money Service (MOBILE MONEY)

In light of the rapid developments experienced by information technology and banking services, all financial institutions and banks seek to keep pace with these technological developments and banking services, which allow customers to conduct their financial transactions using a mobile phone and the Internet. This is known as mobile electronic banking services.

In this sense, CAC Bank launched in late 2018 the electronic money service (MOBILE MONEY), which enables the customer to transfer and receive money and pay his/her obligations such as mobile phone bills, instant charging, the Internet, fixed telephone, water and electricity, in addition to paying the value of purchases, services and other available electronic payments such as university fees and online stores from anywhere and at any time, without resorting to opening a bank account, but through his/her mobile number, using SMS messages, or through the service's applications.

Furthermore, out of great care and concern in supporting and modernizing electronic payment services of direct benefit to society, in implementation of the national vision strategy, strengthening the principles of financial inclusion and in cooperation with State institutions, CAC Bank has provided a service of electronic business payments and government collections that enables companies, institutions and individuals to pay government fees electronically, such as paying electronically government obligations, taxes, customs and oil derivatives amounts easily and safely through the Bank's network of branches and agents.

A specialized department for electronic cash management was established on October 2019 ,28, including all its sections in terms of supervision, operations, control and risk management, in accordance with international best practices such as the GSMA evaluation standards, in order to ensure that circular No. (11) of 2014 is met and complied with.

Mobile Money Service

The "Mobile Money" electronic cash service is an electronic payment method that is characterized by ease of use and a high degree of reliability and security. It enables its customers to carry out electronic payments, money transfers, bill payments and other financial services.

Services provided through Mobile Money:

- Transferring money from one mobile phone to another mobile phone: sending and receiving money and all money transfers
- Pay all bills: internet, landline, electricity, water as well as mobile phone instant charging owing to mobile phone companies
- Payment for purchases etc.: Paying all purchase bills and other available bills such as university fees
- Cash withdrawal service through Bank branches, agents and ATMs (Cardless).
- Payroll service for employees



Mobile Money Your electronic riyal

**Turn your phone
into an electronic
payment device**



electronic money service (MOBILE MONEY), which enables the customer to transfer and receive money and pay his/her obligations such as mobile phone bills, instant charging, the Internet, fixed telephone, water and electricity, in addition to paying the value of purchases, services and other available electronic payments such as university fees and online stores from anywhere and at any time, without resorting to opening a bank account, but through his/her mobile number, using SMS messages, or through the service's applications



launched Business Payments :

The Bank launched the second phase of electronic cash services, which is represented in business payment services, including electronic government collections to complete the documentary cash cycle, thus contributing to achieving the government's goals of adopting the service in the year 2016.

Through this service, the Bank aims to gradually provide integrated services to large sectors of government agencies, in addition to a wide segment of merchants and private companies operating in Yemen.

The business payments system provides many services, including:

- Commercial transfer of funds between merchants and various commercial companies.
- Government payment services (paying government obligations or fees through the service).
- Pay the value of purchases.
- Various government collection services.
- Purchase/Payment (settlement) via websites.
- Salary payment service for the government sector and the private sector.

One of the success factors for this service is the formation of an electronic database, which is easy to access and verify the data at any time. Accordingly, the Bank has submitted a request to exchange data with the Civil Status Department and the Ministry of Industry and Trade. This database can also be used in the future by the government to serve the implementation of its future requirements and aims.



Mobile Electronic Payments and Electronic Payments Collection

The platform facilitates the payment process between customers and merchants (Person to Business) using short text messages (SMS) or through the application of the online service, while maintaining the confidentiality of their personal data and applying the highest international regulatory standards.

Out of great concern and extreme interest in supporting and modernizing electronic services of direct benefit to society, CAC Bank has developed a service of electronic business payments and government collections, which includes the following set of payments:

- Payments of companies to Government (Business 2 Government)
- Payments of persons to Government (Person 2 Government)
- Business to Business Payments (Business 2 Business)

It is worth noting that this system will enable government agencies and the private sector to collect revenues and payments for services and purchases via mobile phone, as the service will be easy and accessible to everyone. In addition, this system will help various institutions and small shops in particular to enter and make use of the system of electronic payment services, as CAC Bank is looking forward during the coming period to developing this system for making payments in e-commerce transactions.



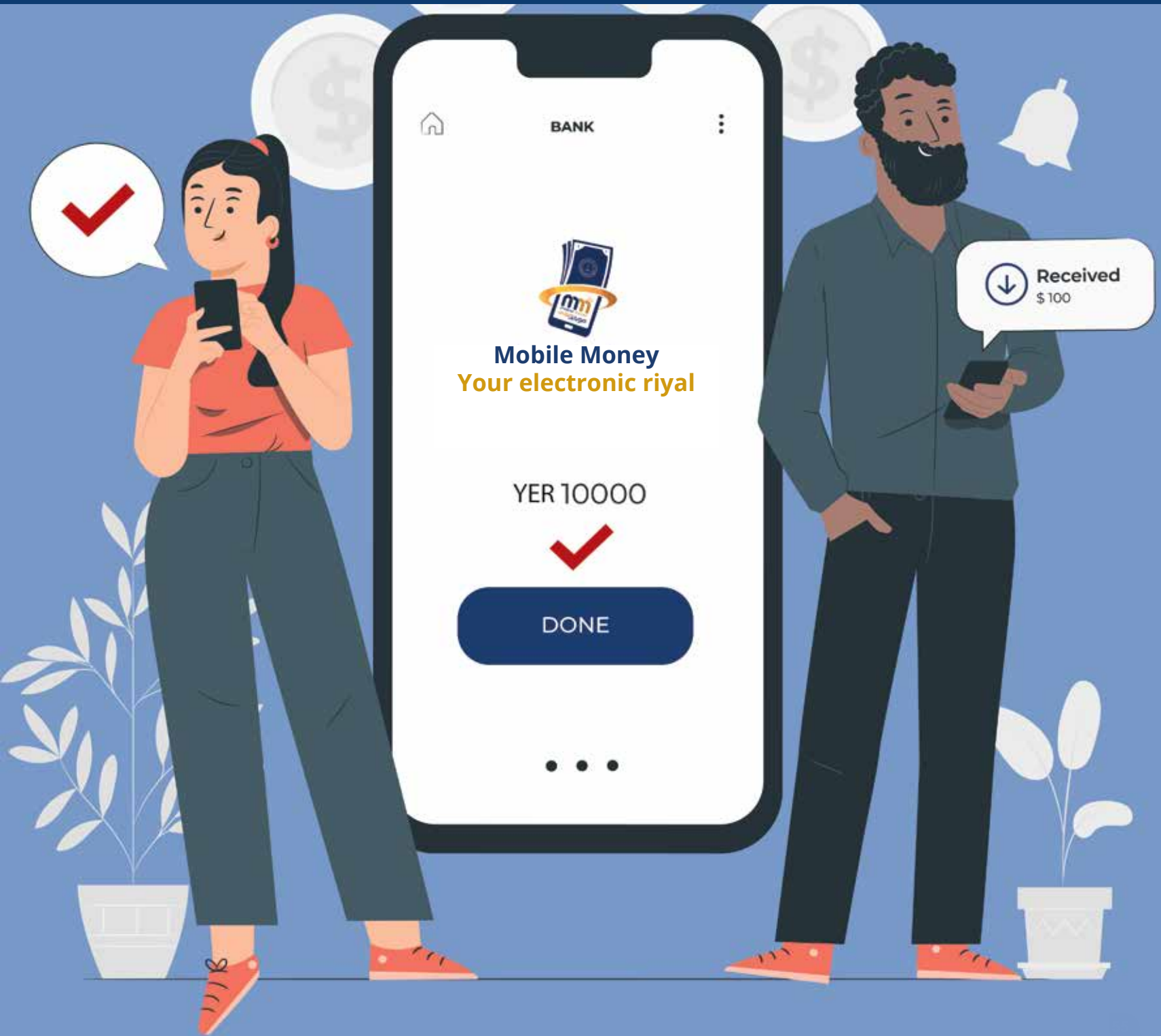
Department of Individual Services and Small and Medium Enterprises (SMEs)

Payment of dues and salaries to the employees of the entities through (Mobile Money (e-rial)):

In line with the electronic developments in the provision of banking services to individuals, CAC Bank launched during the year 2019 the service of disbursing the monthly dues and salaries to the employees of the entities through the Mobile Money Rial electronic service “the Bank’s Electronic Money Trading System”.

It is worth noting that the salary disbursement service is one of the electronic services provided through the Bank’s product (Mobile Money) and many entities have been disbursing the salaries and entitlements of their employees through it, so much so that the number of the entities’ employees whose monthly salaries are paid on a regular basis in such a way reached more than eighteen thousand employees by the end of the year.

Transfer money from one mobile phone to another mobile phone





**MOST WIDESPREAD
WITH LEAST COST**

Money Transfer Turnover in 2019

The incoming money transfers are one of the most important pillars of the national economy and the main supporter of financial and banking performance, owing to their tangible impact in all area of the economy. In this context, the Money Transfers Department (Al Sari'e) in the Bank continues its activity in the banking market in order to maintain leadership and enhance competitiveness, through providing the service with high quality and accuracy that meets the customer's needs and desire.

The money transfer team has expanded the map of spread across the country to reach remote areas that were inaccessible to banking services in the past, as well as prepared field teams in the main branches to disburse field projects of all kinds. Since the beginning of the year, the activities of many agencies and organizations have become diversified, owing to the Bank adopting modern systems and a list of agents that distinguished the Bank among its peers in the banking sector and made it the most widespread in the country.

**The volume of money transfers
external remittances for the year
2019 was higher than the previous
year.**

31% ▲

**The volume of money transfers
internal remittances for the year
2019 was higher than the previous
year.**

11% ▲

This is an easy and simple service through which you can effect a money transfer by means of your mobile to any beneficiary, who receives it in cash at any accredited point (Bank branches or agents).

Conditions:

You must have a current account in addition to being a subscriber to CAC Mobily and in possession of a mobile using android or I phone system.



The volume of remittances executed through (Sari'e Mobily) expanded by in 2019.

17% 

CAC Insurance Company

During a period of ten years, CAC Insurance Company has managed to reach the level of being able to compete with companies operating in Yemen, despite the fact that CAC Insurance Company was only established in 2010 in the presence of a significant list of insurance companies operating in Yemen that were established nearly forty years ago. The Company had to prove its existence and find itself a place among these companies. However, the ambition of the senior management and the staff working in the Company have refused to allow CAC Insurance to be anything but a pioneer in providing insurance services in the Yemeni market.

Today, the Company is at the top of the insurance pyramid, especially in the field of health insurance, after gaining the confidence of hundreds of international organizations operating in Yemen. The Company, with all its staff, continues to provide the best insurance services enabling it to win the trust of customers and reach the first rank in all types of insurance it provides.

The most important international organizations insured with the Company:

- Mercy Corps
- Yemen Red Crescent
- Islamic Relief Organization
- CARE International
- International Relief Organization
- Doctors of the World Organization
- ADRA Organization
- ZOA Organization
- SIMPS Organization.

The CAC Insurance Company has also secured the confidence of the global company SIGMA and obtained the insurance of the United Nations Organizations insured by the global company SIGMA, so that the members of these organizations benefit from the medical network of CAC Insurance Company, as well as all other services it provides.

The most important new services provided by CAC Insurance Company are the following:

- Insuring solar energy and agricultural pumps, including war risks.
- Travel insurance including corona examination - (PCR) - under implementation
- Phone insurance -in progress
- CAC Insurance Company Application



Abdullah Mohammed Bashir
Executive Director



Banks shareholding in the company: %21



VISA NET

Shop and Make Your
Purchases easily
through the Internet

CAC Bank prepaid card
Designed specifically for online shopping
To give you security and flexibility when
purchasing through
The internet has many advantages other

- **Card advantages:**
 - Issuance of the card without the need to open an account.
 - Receive the card on the same day.
 - Reduced fees.
 - You can order the card through any branch or office for CAC Bank.
 - Feed the card when the amount expires at any time.

CAC Security and Maintenance Company

CAC Security and Maintenance Company was established in early 2011 as a leading company in the field of providing security protection and operational services for facilities and buildings. Moreover, it provides money transfer services, security solutions and means of protection of all kinds in professional ways according to a highly vocational methodology.

We are constantly working to build a solid base of trust and credibility with the customer, which will achieve more success and development in the level of services and products provided by the Company.

The Company is keen to achieve outstanding performance in line with the latest and most up to date specialized means in the fields of security and safety, besides implementing specialized and periodic training programs for all employees and security staff. The Company also carries out follow-up and evaluation to ensure that business proceeds with high efficiency and accuracy

The Company has an integrated cadre that manages these services in accordance with supply and demand.

The Company seeks to provide comprehensive security and operational services and solutions through an administrative, technical and field team equipped with the best means, equipment, devices and auxiliary plans, which enable the Company to win more customers. The Company, according to its capabilities and acquired experience, also seeks to compete in the labor market with an ambitious vision and good qualification that guarantees it to gain a large area of the labor market at the level of the capital's secretariat or the governorates.

Services :

The Company provides a number of operational services as outlined below:

A- Logistics Services:

- Facilities guard services - money transfer services.

B- Operational Services:

- Facilities cleaning services - hospitality services - correspondence services - services for counting and arranging cash as well as providing counters.



Salim Hanish
Executive Director



Banks shareholding in the company: %100



International Union Pay Cards



UnionPay Your Way

CAC Bank Banking Cards



Global Visa Cards



American Express International Cards



Marib Poultry Company

Marib Poultry Company is one of the leading companies in the field of poultry production, both broiler and laying. This year has witnessed a remarkable growth over previous years and the Company has set expansion plans for the rest of this year and the coming years. This would not have been possible without the special care provided by CAC Bank to the Company, within its leading role and support in the service of the national economy in general. It should be noted that the Bank's contributions to the Company are strong and effective in all banking fields, which is the positive element in the Company's continuous growth.



Khaled Abd Al-Rub Al-Qubati
Executive Director



Banks shareholding in the company: %27.32



Manage your accounts and pay your obligations through CAC Mobily.

A mobile application used by means of a mobile phone by which a customer sends SMS directly to his/her telecommunication company in order to manage his/her accounts and pay his/her dues with a touch of a button.





Ria Money Transfer

RECEIVE YOUR REMITTANCE
FROM AMERICA AND/OR THE
REST OF THE WORLD

from any CAC Bank Branch
through **Ria** Network

WESTERN UNION



Send and Receive your money from
any CAC Bank Branch through
WESTERN UNION Network



BANKING TRAINING CENTER

Owing to the launch of the Mobile Money product in 2019, the training during this year focused on the product and included training on the following items:

- Courses and workshops for Head Office employees to introduce the product, procedures manuals, launch plan and product marketing culture.
- Courses and workshops for Customer Service employees in particular and the rest of the branch employees.
- Training courses for Bank agents (exchange companies).
- Special training courses for university students within the Bank's social responsibility.
- In addition, emergency programs such as anti-money laundering were implemented for Western Union money transfer agents, training courses resulting from the performance evaluation process and an emergency program for members of the tender and auction committees.

Training Participants and Groups

	PROGRAM	GROUPS	Participants
1	Mobile Money (Head Office)	6	99
2	Mobile Money (Bank Branches)	6	143
3	Mobile Money (Bank Exchange Company Agents)	7	216
4	American Express (Bank Branches)	1	23
5	Development of Frontline Staff's skills & dealing with public (Bank Branches)	1	22
6	Work Team Positive Approach & Work Ethics (Bank Branches)	1	22
7	Capacity building in Govt tenders & purchases according to the Law (Tenders & purchases committee members) (Head Office)	1	45
8	AML/CFT Combatting of Fraud for Bank exchange Company & (remittance agents Aden Governorate)	1	9
9	AML/CFT Combatting of Fraud for Bank exchange Company & remittance agents (Sana'a Governorate)	1	22
10	Comprehensive Banking Culture for Yemeni University students (Financial & Banking Studies)	1	53
	Total	26	645



The First Training Program for University Students in 2019:

The topic of the training was “The Comprehensive Banking Culture” as part of the 2019 training programs. 53 male and female students from most Yemeni universities participated in the Program, learning a lot information, concepts and expertise which link the theoretical with the applied and practical side. The Program lasted for two days covering several topics in the financial and banking areas presented by a number of specialists in the Bank.

- Training Department presented an outline on the Bank and the stages of its development.
- Marketing Department covered the aspect of marketing in bank services.
- international operations and transfers.
- presentation explaining the operational mechanism of the branches.
- liquidity and investments.

The Bank continues to establish such programs aimed at enhancing the Bank's leading role in community development and qualifying youth and students to be able to join the labor market.

Beneficiaries from Training:

Bank Branch Employees	201
CAC Money Transfer Agents	144
CAC Exchange Company Agents	247
University Students	53
Total Training Beneficiaries	645





Call Center and Customer Complaints:

interface of the Bank by providing distinguished services to the Bank's customers, following up on solving their problems in a professional and skillful manner, responding to their inquiries in a polite way and in the best method. Furthermore, the Center offers all the complete and correct information to the customers, in the meantime promoting the Bank's services and pursuing communication with customers, in order to ensure the progress of business in accordance with the standards followed in this regard. The Center puts in place and modernizes programs and systems which contribute to raising the level of service in the best ways and methods. The Call Center Section has a qualified cadre of employees distributed over working hours from eight thirty in the morning until ten at night including official holidays, where they perform their work perfectly and as a team, their objective being to raise the level of service provided to the Bank's customers and solving their problems and responding at any time via the phone, social media channels and e-mail on the following numbers:

- Toll-free number from landline and mobile networks 8003033
- Whatsapp 778003033
- cac.info@cacbank.com.ye



حساب توفير البراعم

Children's Savings Accounts

This is a new service aiming at developing the saving habit in future generations, thereby assisting parents to ensure providing for their children's future requirements. The service has been particularly designed to meet minors' needs.



Children's Savings Accounts

Advantages:

- High interest rates.
- Ability to have standing orders to transfer from your account to a savings account.
- Allows guardians, trustees and charities open children accounts.

Lady سيدتي

This is a product designed in various colors targeting women and their characteristics and echoing their unique personalities.
The product is created to present to ladies all different types of services (deposits, savings, shopping, credit cards, loans, facilities).



Advantages

- The possibility of opening a current account in Yemeni or Saudi riyals - US dollars -
The European Euro or the British Pound.
- Opening Baraem savings accounts.
- To get my lady card from CAC Bank.
- Use of all ATMs affiliated to the Bank in the Republic Yemenia, in addition to the national network of ATMs.
- Pay the value of your purchases through points of sale located in the shops.
- Obtaining a check book upon request.
- Payment of utility bills directly through CAC Mobily, and subscription fees symbolism.

- Obtaining a monthly account statement in Arabic to follow all Transactions made on your account.
- The possibility of using CAC Online service.
- Transfer from one account to another using CAC Mobily or E-banking
- Sending immediate transfers inside and outside the Republic through the express transfers -
Western Union.
- Benefit from other banking services provided by the bank, such as: financing, and investment.



Sustainable Agricultural and Fishery Services

CAC Bank operates within a precise strategy in providing financing services for sustainable agricultural and fisheries development projects by following several methodologies, including:

First: A methodology of financing services to develop operating methods, which lead to reducing waste and losses to their lowest level and linking small farmers and fishermen with suppliers of high-quality production inputs, in order to reach the planned production according to market needs. The methodology also emphasizes adherence to the standards and specifications of production required in the international and local markets, by using the latest agricultural and fisheries production technology, through contracting with experienced and reputable suppliers in order to protect the farmer and fisherman from commercial fraud, so that they may specialize in the production of distinguished commodities in terms of price, quality, season and costs.

Second: The methodology of financing services to raise the financial indicators, which lead to a decrease in production costs by between %60 - %40, an increase in the quantity of production by between %150 - %50 and an increase in revenues by offering Yemeni agricultural and fish products that are characterized by high quality for sale at the international prices. The methodology also offers the choice of doubling production for other commodities, which leads to farmers and fishermen

achieving high profits compared to the old agricultural methods, thus providing rural customers the ability to repay the financing extended to them, spend better on education, health and food and carry out the operational process of production once again in the following season.

Third: The methodology of financing services for exporters, buyers and suppliers (marketing), by providing financial and financing services to exporters, buyers and local and foreign manufacturers, as well as linking them with small farmers and fishermen through the conclusion of marketing contracts before production and international marketing. The methodology also involves complying with the required specifications and standards and providing packaging, transportation and preservation services appropriate to the requirements of export, as well as selling at international prices. It will also enable small producers to communicate with markets and seek to lift the ban on agricultural exports to the international markets, in cooperation with the concerned authorities and embassies in the future.

Fourth, the methodology of logistical support services, training and transfer of experience through the Bank's participation in the implementation of workshops and training courses held by local farmers with accumulated experience. This methodology also involves holding specialized training courses through specialized experts in cooperation with the concerned authorities interested in this vital and important sector. Despite the events that the country is going through as a result of the aggression, the Bank was able to start implementing this strategy by focusing on innovative financing packages that make the environment conducive and attractive for investment. Hence and this manner, the Bank achieves the lofty goal of supporting this vital sector.

Among these packages that the Bank started offering is an Irrigation Package, which includes many products, including a product supporting and financing solar pumping units, a food package that comprises the financing product for greenhouses and modern agriculture and the Shahd package, which includes the world-famous Yemeni honey product, a coffee package and other packages.

In light of this strategy, a group of farmers applied to the Bank to obtain financing and support for these products. The number of applications were ١٧٤ with the aim to finance and support the solar pumping unit product at an amount of Yemeni Rials 1,426,270,964 and ١٥ to finance and support the Yemeni honey product amounting to Yemeni Rials 14,580,000 and 12 to finance and support the greenhouse product at an amount of Yemeni Rials 40,160,391. The recovery rate of these funds was %99, which is an indicator proving the feasibility of these projects and the feasibility of the strategy followed by the Bank. Moreover, these finances have achieved a direct and indirect economic return to the community by benefiting about ٢٠٠ villages and population clusters living near the projects that have been funded.

About ٥ thousand hectares of cultivated areas were saved by replacing solar energy pumping systems instead of diesel, which was non-existent during the period of turmoil and aggression. More than one million heads of livestock that were grazing and watered from the rescued farms have benefited, as well as the environment which has been protected by replacing clean energy instead of pumps that run on fuels that pollute the environment. The polluting carbon dioxide (CO₂) was calculated to have reached at least 12,593 tons annually, in addition to the rationalization process of water and the use of modern irrigation methods and fertilizers that reduced the use of pesticides, traditional fertilizers and operational costs in greenhouses by about %60 to %80, compared to traditional agricultural methods, as well as raising the productivity of farms to %150 in some cases with the use of smaller agricultural areas.

By following these methodologies in providing sustainable development services and through modern ways, the

Agricultural and Fisheries Sector has offered several different agricultural and fish service packages, each package containing several of these products, whether approved or is still under study. These packages are as follows:

A Cattle Package

which contains several products, including: a product for fattening calves and sheep, a product for fodder production, a product for the manufacture of fertilizers from leftover animal waste, a product of layer and meat poultry farms, a product for development of the integrated poultry farm, a dairy cow product and a veterinary clinic product.



Seaman Package

which contains several products, including a fish operating costs product, a modern boat product, a refrigerator product, a product for ice plants and insulators, a product of trucks for transporting fish and a shrimp product.



A Food Package

that contains several products, including a greenhouse product, a nursery product for the production of improved seedlings, a product of operational costs, green house tools, agricultural equipment tools, a modern irrigation network, a grain mill product and a vinegar product.



Coffee Package

a product of financing nurseries supplies, a product of coffee roasters, selling and buying coffee from farmers, packaging Yemeni coffee, establishing plants and warehouses for coffee collection, packaging and marketing, the value of improved seedlings, land reclamation and ploughing with the aim of planting it with Yemeni coffee and the establishment of "pockets" for terraces of coffee trees.



Irrigation Packages

which contain several products, including: a product of solar pumping units, a modern irrigation network product, a product of polyethylene plants and factories for the manufacture of pipes and their accessories and a product for building water harvesting tanks.



A Food Package

, which contains several products, including: a product for financing the production and marketing of honey, buying and selling bee supply requirements, treatment vaccines, filled hives and empty hives, roses and flowers planting fields and planting of "Sidr" honey trees.





شاهد

Shahd Package



بحار

Seaman Package



بن

Coffee Package



أنعام

Cattle Package



ري

Irrigation Packages



غذاء

Food Package



Social Responsibility

Since its establishment, CAC Bank has been interested in community service programs and contributing to national development efforts, considering that it was the first bank which was concerned with community service.

The Bank has affirmed this in its core values represented in the development of society in all fields and various society groups, as well as proving its distinguished presence through its continuous endeavor to participate in social issues and provide aid to the community, despite the difficult conditions experienced by the banking sector. CAC Bank has spared no effort in supporting social activities and human aid, as the year 2019 was distinguished for the Bank through its providing grants and assistance to the community, the

most important of which are:

- Equipping a shelter and quarantine center in Al-Jawf Governorate for Corona victims, in partnership with CAC Insurance Company.
- The Bank participated in many corporate sports tournaments, including the 2019 Corporate Championship.
- The Bank has provided support to the Hamsat Khair Foundation, which takes care of many orphans, by distributing Eid al-Adha clothing and foodstuffs to nearly 200 orphans.
- Providing support to the Orphan Care Center (females) by distributing blankets and winter clothes to the Centre's inmates, as a contribution to alleviating some of the burdens that the Centre bears as a result of its humanitarian and social work.
- CAC Bank, in cooperation with the National Corporation, Aden, set up a free pink clinic for early detection of breast cancer, where the clinic provides free early breast examination services, and educates visitors about the risks of breast cancer and the benefits of early examination.
- Sponsoring the Second Agricultural Festival in the capital, Sana'a.
- Sponsoring the reception of the National Team participating in the Gulf (22) Tournament.
- Sponsoring the project "My Dreams come True" for school students.
- Sponsorship of the Suburb Crossing Championship.
- Sponsoring a community awareness workshop for the international success of the Republic of Yemen, which was organized by the Hadhramout Province Foundation.
- Sponsoring and supporting the national trend towards institutional governance through sponsoring the Governance Conference hosted by the capital, Sana'a, in addition to positive and active participation in it as well as supporting it, in order to spread the great benefits resulting from its application in various institutions in Yemen.
- Sponsoring specialized medical courses, including the second intensive course for dental implants, organized by the Department of Dentistry, Faculty of Medicine.
- Support and sponsorship of a seminar entitled the Yemeni expatriate in the new constitution.
- Supporting and organizing programs and activities concerned with the health and preventive aspect within the framework of educating the community on how to fight diseases and epidemics.
- Support and sponsorship of the Women's Cultural Day event under the slogan "Women Create and innovate for a Better Future" organized by the Scheherazade Foundation, which is concerned with encouraging and supporting feminist creativity.
- Sponsoring and supporting the children and youth financial campaign organized by the Higher Council for Motherhood and Childhood and the International Organization for Child and Youth Finance in order to improve the quality of education.
- Sponsoring graduation ceremonies and projects for Yemeni university students for higher studies, in order to encourage science and the sanctity of education and in appreciation of the importance of the national role played by students and youth, who are hoped and expected to build the new Yemen.
- Supporting sports federations and clubs, sponsoring various tournaments and sports activities and organizing them in a manner befitting our beloved country.
- Sponsoring cultural, economic and scientific events as well as seminars and conferences.
- Supporting development centers and charitable institutions within the framework of social responsibility aimed at creating a cooperative development society.
- Supporting the "Better Life Organization for Comprehensive Development" to implement the Tarabeel (tents) distribution project for the most needy (the marginalized).
- Support and sponsorship of national events that will make the National Dialogue Conference a success (supporting the dialogue outcomes).
- Supporting Al-Amal Hospital for Cancer Patients and the National Cancer Control Foundation to contribute to sponsoring the fourth batch of MBA graduation festival and in enabling it to carry out its humanitarian duty in providing its services.
- Honoring the pioneers of the Republic.
- Sponsoring the Education Quality Project.
- Training of Ministry of Education general managers and offices.
- Bank support in implementing the 2019-2018 exams.
- Supporting the National Information Center.
- Supporting productive families.
- Bank support for Kuwait University Hospital to purchase medicines for the blood bank.
- The Bank supported the Altruism Association with 500 bags of wheat.
- Bank support for the Association of the Blind mass wedding.
- Bank support for Al-Rahma (mercy) Foundation.

الاسلامي
Islamic Finance - CacBank



ISLAMIC FINANCE CACBANK

As a continuation of the successes of the Cooperative and Agricultural Credit Bank in various areas and as its contribution to the service of society, Islamic CAC was established as an independent sector financially and administratively in 2010 under the supervision of a Shari'a Supervisory Board, which ensures the safety of the conduct of business without mixing of funds. Furthermore, a fully functional organizational structure was prepared which guarantees the implementation of business in a highly professional and competent manner that assists in enhancing and promoting performance..

Islamic CAC is keen and committed to providing a variety of Shari'a-compliant banking products and services, which enhance and strengthen customer satisfaction and contribute to the development process in the country.

Vision

Your first destination for a bank partner with innovative Islamic solutions.

The message

Offering a variety of quality banking services to our partners with all financial solutions complying with Shari'a rules and regulations, by using the best administrative and technical systems with a high level professionalism under the best business environment, which is conducive to achieving continuous growth and contributing to the service of the community.

Core values

- Adhering to the principles and provisions of Islamic Shari'a in the various activities offered by Islamic CAC.
- Work in a team spirit.
- Carrying out business efficiently and effectively to win customer confidence.
- Customer satisfaction is the measure of our success.
- Consolidate and enhance the spirit of belonging.
- Contribute to the process of economic and social development in society.

Deposit Growth and Dividend Distribution

At the end of 2019, total deposits amounted to 36,510,372,480 Yemeni rials registering a growth rate of %22 over 2018. As a result of this excellent performance, a higher dividend on customer investment deposits was distributed, as shown in the following table:

Deposit Dividend Rates for 2019

	Yemeni Rials	Foreign Currency
Deposits	10 %	4 %
Savings Account	5 %	2 %

Strengthening and Developing capacities

Islamic CAC is distinguished by its excellent and efficient banking staff in the field of Islamic banking, which gave it the opportunity to engage in various Islamic banking activities and businesses. In order to enhance and develop those capabilities and skills, many training courses and specialized workshops were held, some of which are outlined below:

- Certified Islamic Banking Program
- Crisis Management
- Portfolio and Investment Fund Management
- Professional Project Management
- Operational Auditing
- Bank Marketing
- Combating money laundering and terrorist financing "AML/CFT"

In this context, the General Council of Islamic Banks and Financial Institutions granted the Certified Islamic Specialist Certificate in Sharia Audit to the Reverend Sheikh Hussein Ahmed Al-Siraji, Shariah supervisor and member of the Sharia Board and granted the Certified Islamic Banking Certificate to Mr. Sami Ahmed Hadi, Deputy Executive Director, Islamic CAC.

Save More..Gain More



كاك
الاسلامي

Islamic Finance - CacBank



Services and products

Islamic CAC provides a wide range of services and products which are in compliance with Shari'a rules and regulations, with a view to guaranteeing the satisfaction of its customers by offering a number of key services and products as shown below:

ADDITIONAL SERVICES



- Sarie "speed" money transfer.
- Salary payment service.
- "Your salary is bigger" service.
- Standing orders service
- Mobile Money Service
- “My Trip” Service

TAYSEER PACKAGE



includes several products of which are debit cards, VISA credit cards, installment credit cards and "messages".

LIFE PROGRAM



which includes several products, of which is a wish product (a product which allows the customer to acquire his/her requirements with repayment in concessional installments).

SAFETY PACKAGE



includes several products of which are the

- current account.
- savings account.
- investment deposit.

Moreover, the following services and products related to international operations are offered: international trade remittances, self documentary credits in the context of Murabaha.

We round up the
distances



حاك الاسلامي يتوج بشهادة شكر و تقدير



المؤتمر و المعرض
الثاني للطاقة الشمسية



The Second Conference and Exhibition of Solar Energy.

Islamic CAC received a certificate of thanks and appreciation for its prominent role in the success of the activities of the second Conference and Exhibition of Solar Energy.



كاك
الاسلامي

Islamic Finance - CacBank



ISLAMIC FINANCE CACBANK

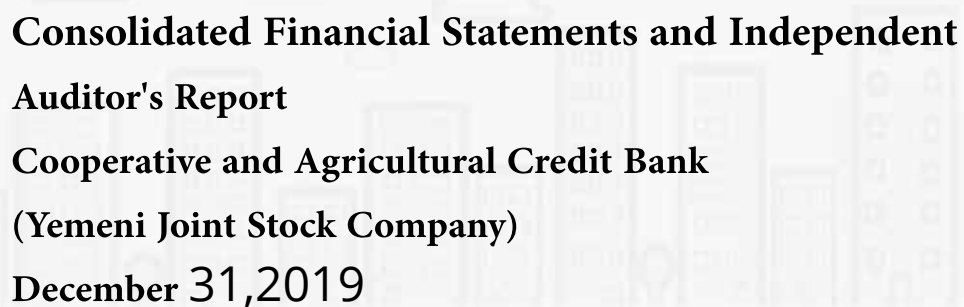
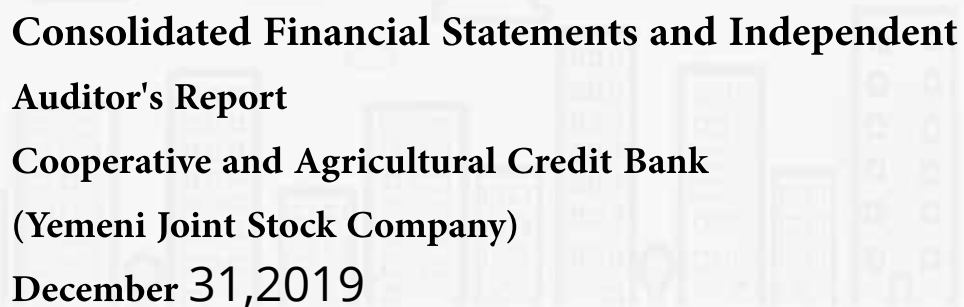
Get your remittance at the touch of a button
Al Sari'e Transfers through Pidgeon Mobily



كُنْ مَعَنَا..
تَجِدْنَا مَعَكَ..

Branches and Offices

	Name of Branch/ Office	Address	Phone	Fax
1	The main branch (Al-Shawkani)	Sana'a - Al-Zubayri Street / Next to SabaFon Company towards Asr	01471000 01401943	01464163
2	Haddah branch	Sana'a - Haddah / next to Al Rahman Mosque	01428260	01428170
3	Taiz Street branch	Sana'a - Taiz Street in front of the Modern German Hospital	01635116 01635130	01635117
4	Al-Asbahi office	Sana'a - Khamseen Street, next to CACBANK's May 22 ,branch	01687028	01687027
5	Mansoura branch	Aden - Caltex Roundabout	02359052 02359055 02359053	02359054
6	Al-Hodeidah Branch	Hodeidah - Business District / Street 26	03225228 03225227 03224228	03217051



Contents

Page

INDEPENDENT AUDITOR'S REPORT	92
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	97
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	98
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	99
CONSOLIDATED STATEMENT OF CASH FLOWS.....	101
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	103

Independent Auditor's Report

To: The Shareholders' of
Cooperative and Agricultural Credit Bank
(Yemeni Joint Stock Company)
Sana'a - Republic of Yemen

Audit, Tax, Advisory
Grant Thornton Yemen
Algeria St.
Sana'a - Republic of Yemen
P.O. Box: 18045
Tel. + 967 1 465 024 / 5
Fax. + 967 1 465 026
www.gtyemen.com

Report on the audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of **Cooperative and Agricultural Credit Bank (the Bank), and its subsidiaries** (together referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2019, and the statements of consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and notes to the consolidated financial statements (1-48), including a summary of significant accounting policies used in preparing the consolidated financial statements.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), instructions of Central Bank of Yemen and the prevailing Yemeni Laws and regulations.

Basis for Qualified Opinion

1. What was stated in Notes No. (45) and (46) of the accompanying notes to the consolidated financial statements, as the Group's management was unable to determine the financial impact resulting from the transactions carried out by the branches of the governorates of Aden and Lahj during the year ended on December 31, 2019 due to use of these branches of an independent accounting system for the purpose of opening current accounts, deposits, attracting funds and other transactions, and transferring the SWIFT due to the political situation in the country. As a result of these events, we were unable to determine the future effects on the bank's position and its consolidated financial statements, and the approximate impact on the consolidated financial statements for the year 2019 was measured for debit and credit transactions not included in the group's banking system based on the financial data according to the initial trial balance for these branches. Accordingly, the profit for the year in the group's financial statements was understated by an amount of YR 374,361 thousand, and in return, the shareholders' equity was understated by the same amount if these transactions are included in the group's records.
2. The other provisions, which appeared in the group's consolidated financial statements by an amount of YR 6,406,565 thousand, includes a provision with an amount of YR 5,840,000 thousand to face the losses related to exposure of foreign currency positions. The recognition of that provision which did not arise as a result of a past event, is not likely to result in a payment, nor cannot be reliably measured, constitutes a departure from IFRSs. Accordingly, the accumulated profits were understated by YR 5,840,000 thousand, and other provisions were overstated by the same amount.

3. The bank's management did not create a provision to meet exposure losses of the foreign currency position during the year 2019, and 2018 for the amount of YR 385,451 thousand and YR 375,297 thousand respectively according to the CBY's instructions Letter No. 1955 dated on May 24, 2018, which requires from the bank's management to create provision to face the risks of foreign currency position exposure based on the results of the financial statements. Accordingly, the accumulated profits and shareholders' equity were overstated by these amounts.

We conducted our audit in accordance with international standards for auditing and the requirements of the relevant Yemeni laws and regulations. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to:

- Note (45) of the accompanying notes to the consolidated financial statements, which is related to the political crisis, the economic situation and the current security events in the Republic of Yemen which indicate to the existence of an uncertainty about the improvement of the political and economic situations that may affect about the Group's ability to continue as a going concern in case of the continuation of these circumstances. Our opinion is not modified in respect of this matter.
- Note (37.3) of the accompanying notes to the consolidated financial statements, regarding the Group's exposure to foreign exchange risk and its impact on significant foreign currency positions. Our opinion is not modified in respect of this matter.
- Note (46) of the accompanying notes to the consolidated financial statements, which indicates the impact of Corona virus (Covid-19) in the beginning of the year 2020 and its spread in several geographical regions around the world causing disturbances to economic activities and businesses, which may have an effect on the Group's investments and transactions abroad in the event of business interruption. the management of the Group believes that there is as yet no material impact or quantitative estimate of the potential effects on future financial statements at this stage. The Management and those charged with governance will continue to monitor the situation and provide stakeholders with developments as required by laws and regulations in the event of any material changes in current situations or approval of any amendments to the Group's financial statements for subsequent periods. Our opinion is not modified in respect of this matter.
- Note (46) of the accompanying notes to the consolidated financial statements, which indicates that the bank's management in Sana'a, on January 28, 2021, addressed a letter No. (M S/ 23) to the Yemeni Banks Association in which the association was requested to address the banks in the Republic of Yemen to refrain from dealing with the so-called general management in Aden, and according to this letter, the Yemeni Banks Association sent a letter No. (39/2021) on January 31, 2021 to all Yemeni banks to refrain from dealing with the so-called public management in Aden. On March 15, 2021, the general management of the bank in Sana'a published an official announcement in Al-Thawra newspaper No. 20570 for the bank's audience and clients not to use any counterfeit services or unapproved systems that the bank has nothing to do with, which is at least an attempt to imitate the bank's electronic wallet logo (Mobile Money) and an attempt to establish accounting or banking systems at one of the bank's branches in the city of Aden with the purpose of opening current accounts and deposits and attracting funds and other transactions. and thus the bank alerts its clients

that these operations are not reliable, affirming that the bank's is not responsible for the legal and financial obligations that may arise because of these transactions, and in a manner that preserves the fund of its clients while the bank maintains all procedures to fully protect its rights and the fund of its clients. Our opinion is not modified in respect of this matter.

Other Matters

- The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor who expressed a modified opinion on those statements on April 5, 2020.
- We would like to refer to the Central Bank of Yemen Circular No. (5257) issued on December 23, 2019 regarding the application of the International Financial Reporting Standard No. (9) Financial Instruments, in which it is decided to postpone the application of the IFRS No. (9) so that the standard will be applied starting from January 1, 2021.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, instructions of CBY and the prevailing Yemeni Laws and regulations, and for such internal control as management determines which is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Except for the matters described in the basis of qualified opinion paragraph, we obtained from the management the information and clarifications that we deemed necessary for auditing purposes, and the Group maintains regular accounts records, and the accompanying consolidated financial statements are in agreement with what is contained in those records. Furthermore, we are not aware of any violations of Yemen Commercial Companies Law No. (22) for 1997 and its amendments, or CAC Bank establishment Law No. (39) of 1982 or Banking Law No. (38) of 1998 occurred during the year in which might have a material impact to the Group's business or its consolidated financial position, except for the following:

1. Bank management's violation of Circular No. (6) for the year 1998 and the subsequent Central Bank of Yemen instructions for dealing with imbalances in foreign currency positions, as indicated in Note No. (37.3) of the accompanying notes to the consolidated financial statements.
2. Bank management's violation of Circular No. (4) of 1999 (credit concentrations) and the requirements of Yemeni Banking Law No. (38) of 1998 Article No. (19) regarding loans and advances granted to employees not exceeding twelve salaries, as some employees were granted loans and advances exceeding the specified percentage.
3. Bank management's violation of the Central Bank of Yemen Circular No. (10) for the year 1999 and its explanatory note regarding the concentration percentage of clients' deposits to total of deposits, as there are concentrations in clients' deposits that exceeded the 5% specified by the Central Bank of Yemen.
4. Bank management's violation of Article No. (73) of the Banking Law (38) of 1998, whereby the assets' ownership transferred to the bank are kept for a period exceeding the period specified in the Banking Law, which is five years for immovable fixed assets.



Grant Thornton

An instinct for growth™

5. Bank management's violation of the Central Bank of Yemen circular addressed to banks on March 16, 2017 regarding the provisions required for debts in foreign currencies, which required creation of the necessary provisions for debts in foreign currencies in the currency of the debt, as only a part of it was created when preparing the consolidated financial statements for the fiscal year ended on December 31 2019, which affected the foreign exchange position and sensitivity analysis Note No. (37.3).



Grant Thornton Yemen

Ramzi Al-Ariqi

Sana'a - Republic of Yemen
March 30, 2021

Consolidated statement of financial position

	Notes	Dec. 31, 2019 YR'000	Dec. 31, 2018 YR'000
Assets			
Cash on hand and reserve balances with Central Bank of Yemen	5	56,491,390	43,965,271
Due from banks	6	74,086,090	55,125,692
Held to maturity investments	7	339,331,901	338,304,946
Loans, advances and Islamic financing activities	8	18,307,273	15,184,208
Available for sale financial investments	9	1,194,176	600,000
Investments in Islamic Sukuk	10	-	-
Investments in associates	11	693,279	694,670
Debit balances and other assets	12	3,248,084	2,478,588
Property and equipment	13	1,851,550	2,172,171
Right to use leased assets	14	1,459,408	-
Total assets		496,663,151	458,525,546
Liabilities and equity			
Liabilities			
Due to banks and financial institutions	15	22,887,027	21,103,260
Customers' deposits	16	430,047,112	395,900,319
Long term loans	17	54,632	708,877
Credit balances and other liabilities	18	13,211,761	10,130,321
Other provisions	19	6,406,565	7,012,166
Total liabilities		472,607,097	434,854,943
Equity			
Paid-up Capital	20	20,000,000	20,000,000
Statutory reserve	21	3,210,717	3,152,899
General reserve		217,615	217,615
Accumulated profits		627,722	300,089
Total equity attributable to equity holders of the bank		24,056,054	23,670,603
Non-controlling interests		-	-
Total equity		24,056,054	23,670,603
Total liabilities and equity		496,663,151	458,525,546
Contingent liabilities and commitments	22	24,333,776	29,477,489

Finance Manager

Mr. Mohammed A. Mayad

Head of Support
Operations Sector

Mr. Yahya M. Al-Kbsi

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Ibrahim A. Hashem



See to notes (1-48) accompanying to the consolidated financial statements

Consolidated statement of comprehensive income

For the year ended December 31,

	Notes	2019 YR'000	2018 YR'000
Interest income	23	5,985,066	4,743,292
Interest income from held to maturity investments (Treasury bills)		57,738,097	52,912,300
Total interest income		63,723,163	57,655,592
Less: Interest expenses	24	(27,256,317)	(26,233,996)
Net interest income		36,466,846	31,421,596
Islamic financing and investments activities income	25	128,568	192,932
Less: Return of unrestricted investments and saving accounts holders	26	(2,089,523)	(1,454,038)
Net income from Islamic financing and investments activities		(1,960,955)	(1,261,106)
Net income from interests and Islamic financing and investments activities		34,505,891	30,160,490
Fee and commission income from banking services	27	1,348,961	1,418,607
Losses from foreign currencies transactions	28	(21,895,811)	(17,314,396)
Financial Investments income	29	28,024	1,061,005
Other incomes	30	7,872,639	2,064,051
Net operating income		21,859,704	17,389,757
Less: Impairment loss on financial assets (provision)	31	(5,158,930)	(2,364,758)
Less: Staff cost	32	(8,639,692)	(8,441,877)
Less: Depreciation of property, equipment and right to use leased assets		(1,055,845)	(652,831)
Less: Other expenses	33	(5,588,949)	(5,117,333)
Net profit for the year before taxes		1,416,288	812,958
Less: Income tax for the year	18.1	(1,030,837)	(437,661)
Net profit for the year after taxes		385,451	375,297
Other comprehensive income		-	-
Total Comprehensive Income for the year		385,451	375,297
Attributable to:			
Equity holders of the bank		385,451	375,297
Non-controlling interests		-	-
		385,451	375,297
Earnings per share (YR)	34	19.27	18.76

Finance Manager

Mr. Mohammed A. Mayad

Head of Support
Operations Sector

Mr. Yahya M. Al-Kbsi

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Ibrahim A. Hashem

See to notes (1-48) accompanying to the consolidated financial statements



Consolidated statement of changes in equity

For the year ended December 31,

	2019				Total Equity Attributable to Equity Holders of the Bank	Non-Controlling Interests	Total
	Paid-up Capital YR'000	Statutory Reserve YR'000	General Reserve YR'000	Accumulated Profits YR'000	YR'000	YR'000	YR'000
Balance at January 1, 2019	20,000,000	3,152,899	217,615	300,089	23,670,603	-	23,670,603
Net profit for the year	-	-	-	385,451	385,451	-	385,451
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	3,152,899	217,615	685,540	24,056,054	-	24,056,054
Changes in equity holders, recorded directly in equity							
Transferred to increase capital	-	-	-	-	-	-	-
Transferred to statutory reserve	-	57,818	-	(57,818)	-	-	-
Transferred to general reserve	-	-	-	-	-	-	-
Balance at December 31, 2019	20,000,000	3,210,717	217,615	627,722	24,056,054	-	24,056,054

Finance Manager

Mr. Mohammed A. Mayad

Head of Support Operations Sector

Mr. Yahya M. Al-Kbsi

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Ibrahim A. Hashem

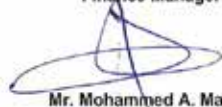
See to notes (1-48) accompanying to the consolidated financial statements

Consolidated statement of changes in equity (continued)

For the year ended December 31,

	2018				Total Equity Attributable to Equity Holders of the Bank YR'000	Non-Controlling Interests YR'000	Total YR'000
	Paid-up Capital YR'000	Statutory Reserve YR'000	General Reserve YR'000	Accumulated Profits YR'000			
Balance at January 1, 2018	20,000,000	3,093,504	217,615	(15,813)	23,295,306	-	23,295,306
Net profit for the year	-	-	-	375,297	375,297	-	375,297
Other comprehensive income for the year	-	-	-	-	-	-	-
	20,000,000	3,093,504	217,615	359,484	23,670,603	-	23,670,603
Changes in equity holders, recorded directly in equity							
Transferred to increase capital	-	-	-	-	-	-	-
Transferred to statutory reserves	-	59,395	-	(59,395)	-	-	-
Transferred to general reserves	-	-	-	-	-	-	-
Balance at December 31, 2018	20,000,000	3,152,899	217,615	300,089	23,670,603	-	23,670,603

Finance Manager



Mr. Mohammed A. Mayad

Head of Support Operations Sector



Mr. Yahya M. Al-Kbsi

Chief Executive Officer



Mr. Salah S. Basha

Chairman



Mr. Ibrahim A. Hashem

See to notes (1-48) accompanying to the consolidated financial statements

Consolidated statement of cash flows

For the year ended December 31,

	Notes	2019 YR'000	2018 YR'000
Cash flows from operating activities			
Net profit for the year before taxes		1,416,288	812,958
Adjustments for profit:			
Zakat expense recognized in comprehensive income statement		1,427,949	928,956
Gain on investments in associates		(28,024)	(62,039)
Income from financial assets of fair value through other comprehensive income		-	(998,966)
Depreciation of property and equipment and right to use leased assets	13,14	1,055,845	652,831
Provisions provided during the year	31	5,158,930	2,364,758
Provisions used during the year		(383,357)	(309,176)
Retranslation differences of provisions in foreign currencies		(447)	(1,402)
Debit interest on lease contracts liabilities	18.3	64,678	-
Impairment provisions reversed during the year	30	(7,859,497)	(2,042,540)
(Gain) loss on disposal of property and equipment		(328)	94
Operating profit before changes in assets and liabilities used in operating activities		872,037	1,345,474
Changes in:			
Reserve balances with Central Bank of Yemen		(3,629,051)	(1,081,531)
Treasury bills due after 3 months		46,826	173
Treasury bills due within 3 months reserved at the Central Bank of Yemen		(82,600,000)	-
Loans, advances and Islamic financing activities		2,749,373	6,447,883
Debit balances and other assets		(986,031)	(738,645)
Due to banks		1,783,767	532,802
Customers' deposits		34,146,793	16,575,918
Credit balances and other liabilities		720,501	944,061
Paid income tax	18.1	(1,330,295)	(98,867)
Paid zakat	18.2	(231,899)	(352,807)
Net cash (used in) from operating activities		(48,457,979)	23,574,461
Cash flows from investing activities			
Acquisition of property and equipment	13	(273,204)	(349,481)
Proceeds from sale of property and equipment		32,516	-
Changes in available for sale financial investments		(507,500)	216,049
Proceeds from investments in Islamic Sukuk		-	1,500,000
Dividends received from associates		29,415	-
Dividends received from available for sale financial investments		-	998,966
Changes in time deposits with banks reserved as assurance		180,446	146,843
Net cash (used in) from investing activities		(538,327)	2,512,377

Finance Manager

Mr. Mohammed A. Mayad

Head of Support
Operations Sector

Mr. Yahya M. Al-Kbsi

Chief Executive Officer

Mr. Salah S. Basha

Chairman

Mr. Ibrahim A. Hashem

See to notes (1-48) accompanying to the consolidated financial statements

Consolidated statement of cash flows (continued)

	Notes	2019 YR'000	2018 YR'000
Cash flows from financing activities			
Payments of long-term loans		(654,245)	(1,655,243)
Payments to creditors of leased assets	18.3	(553,947)	-
Net cash used in financing activities		(1,208,192)	(1,655,243)
Net change in cash and cash equivalents during the year		(50,204,498)	24,431,595
Cash and cash equivalents at the beginning of the year		402,935,068	378,503,473
Cash and cash equivalents at the end of the year		352,730,570	402,935,068
Cash and cash equivalents at the end of the year consist of:			
Cash on hand and reserve balances with Central Bank of Yemen	5	56,491,390	43,965,271
Due from banks	6	78,128,266	55,884,059
Treasury bills held to maturity	7	334,871,035	333,844,080
		469,490,691	433,693,410
Less: Reserve balances with Central Bank of Yemen		(33,718,480)	(30,089,429)
Less: Treasury bills due after 3 months		(140,428)	(187,254)
Less: Treasury bills due less than 3 months reserved at the Central Bank of Yemen	7,19	(82,600,000)	-
Less: Deposits with banks reserved with warranty		(301,213)	(481,659)
		352,730,570	402,935,068

Finance Manager
Mr. Mohammed A. Mayad

Head of Support
Operations Sector
Mr. Yahya M. Al-Kbsi

Chief Executive Officer
Mr. Salah S. Basha

Chairman
Mr. Ibrahim A. Hashem



See to notes (1-48) accompanying to the consolidated financial statements

Notes to the consolidated financial statements

For the year ended December 31, 2019

1. Background information

The Cooperative and Agricultural Credit Bank (the Bank) was established in Sana'a in accordance with law No. 39 of 1982, as a result of merging the Agricultural Credit Bank (ACB) (which was established in 1975) and the National Co-operation Development Bank (NCDB), (which was established in 1979). The Bank is registered with the Ministry of Industry and Trade under commercial registration No. (5391).

The Bank operates all banking services through its head office in Sana'a and in 43 branches (2018: 45 branches) spread all over the governorates of the Republic of Yemen. The Bank also provides Islamic banking services through its Islamic branch in conformity with the Islamic Sharia' and under the supervision of Sharia' Board. On March 29, 2010, the Bank obtained the initial approval from Central Bank of Yemen (CBY) and obtained the final approval on April 16, 2011.

The consolidated financial statements of the Bank and the financial statements of its subsidiary in the Republic of Yemen, which is as follows (together referred as the "Group"):

Name of the Subsidiary	Main Operating Activity	Share Capital	Year of Possession	Shareholding and Percentage	
		YR'000		2019	2018
CAC Services for Security and Maintenance (Sana'a, Republic of Yemen)	Security and cleaning services	10,000	2011	100%	100%

2. Adoption of New and Revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRS applied with material effect on the consolidated financial statements

The following new and revised standards and interpretations, which became effective for accounting periods beginning on or after January 2019, have been applied in these consolidated financial statements.

IFRS (16) (Leases)

The Group has applied the International Financial Reporting Standard No. (16) Lease Contracts. "The new standard replaces the current guidelines for lease contracts contained in International Accounting Standard No. (17) "Lease Contracts" and Interpretation No. (4) issued by the International Financial Reporting Interpretations Committee "Ensuring whether the arrangement involves a lease agreement," and Interpretation No. (15) issued by the previous International Interpretations Committee "Operational lease contracts - incentives," and Interpretation No. (27) issued by the previous International Interpretations Committee "Evaluating the substance of transactions that take legal form for the a lease ".

International Financial Reporting Standard No. (16) was issued in January 2019, and the standard applies to annual periods commencing on or after January 1, 2019, stipulates that all leases and the associated contractual rights and liabilities should generally be recognized in the bank's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS (17) "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease liabilities incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is

generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS No. (16) upon adoption of the new standard. During the first-time application of IFRS No. (16) to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

Prior to January 1, 2019, the bank accounted for the lease contracts in accordance with IAS No. (17) whereby the lease payments according to the operating leases were charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease contract.

The Group has chosen to apply the standard to contracts that were previously identified as lease contracts to which IAS (17) and Interpretation No. (4) issued by the IFRS Interpretations Committee applies. Therefore, the Group did not apply the standard to contracts that were not previously identified as involving on lease contracts to which the International Accounting Standard No. (17) or Interpretation No. (4) issued by the International Financial Reporting Interpretations Committee applies.

The bank has applied the exemptions proposed in the standard to leases that expire within twelve months from the date of initial application, and to leases for low-value assets.

Upon the application of IFRS No. (16), the Group has recognized the lease liabilities in Note No. (18) "credit balances and other liabilities" with an amount of YR 1,464,347 thousand, and the right to use related to leased assets with an amount of YR 1,459,408 thousand recorded in Note No. (14) "Right to use leased assets", in relation to contracts that entered into as lease contracts in accordance with the principles of IFRS No. (16), the related right-to-use assets were measured at the same amount of the lease liabilities, adjusted for any prepaid or accrued lease payments related to a lease contract that was recorded in the consolidated statement of financial position as of December 31, 2019.

2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

New standards, amendments and interpretations to existing standards have been issued by the International Accounting Standards Board (IASB), but they are not effective as of the date of the financial statements, and have not been adopted by the Group. Below is information thereon that is expected to be relevant to the Group's financial statements.

Summary of Standard and Amendment	Subject	Standard Affected
International Financial Reporting Standard No. (9) (2014) and amendments to the standard and other relevant standards International Accounting Standard No. (39) "Financial Instruments" Recognition and Measurement and International Financial Reporting Standard No. (7) "Financial Instruments" Disclosures related to interest rate adjustment	Financial instruments	Amendments to IFRS (9) and the related standards are effective from January 1, 2019, but the standard No. (9) and its amendments have been postponed by the Central Bank of Yemen until January 1, 2021.
Amendments to IFRS No. (3)	Business Combinations relating to definition of a business	January 1, 2020
Amendments to IFRS No. (1,8)	Definition of materials	January 1, 2020
IFRS No. (17)	Insurance contracts	January 1, 2020

Summary of Standard and Amendment	Subject	Standard Affected
Amendments to IFRS (10)	Consolidated Financial Statements	The application date is indefinitely postponed
Amendments to IFRS No. (28)	Investments in associates and joint ventures (2011) related to processing the sale assets or contribution of assets by the investor in the associate or joint venture	The application date is indefinitely postponed

The Group's management expects that all of these new standards, interpretations and amendments will be applied in the group's consolidated financial statements when they become into effect, and that the application of these new standards, interpretations and amendments, with the exception of IFRS No. 9 and its amendments, will have a material impact on group's consolidated financial statements on the period of initial application.

IFRS (9) Financial Instruments

IFRS (9) issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS (9) was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS (9) was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS (9) which contains accounting requirements for financial instruments were issued, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS (9) introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS (39), however there are differences in the requirements applying to the measurement of the bank's own credit risk.
- **Impairment:** The 2014 version of IFRS (9) introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **De-recognition:** The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS (39).

According to the instructions of the Central Bank of Yemen, Circular No. (5257) dated on December 23, 2019, the application of the standard and its amendments have been postponed until January 1, 2021.

3. The Significant accounting policies adopted

3.1 Policies applicable on or after January 1, 2019

3.1.1 Right to use leased assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment starting from January 1, 2019, the right of use assets amounted to YR 1,460 million as of December 31, 2019.

3.1.2 Lease contracts liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the internal cost of funds as the incremental borrowing rate at the lease commencement date (20% for YR leases, 4% for foreign currency leases) After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and is reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are included within credit balances and other liabilities, and these liabilities amounted of YR 1,464 million as of December 31, 2019.

3.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3.1.4 Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (a change in business strategy).

3.2 Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards (“IFRS”) and the amendments of Central Bank of Yemen in respect of recognition, measurement, disclosure of financial instruments, according to the circular of the Central Bank of Yemen, addressed to all banks operating in the Republic of Yemen, which states that “defer the implementation of IFRS 9 (Financial Instruments) to the beginning of the year 2021”, and the requirements of the relevant Yemeni laws and regulations.

Therefore, it is required to comply with circular No. (6) of 1996 and circular No. (5) of 1998 and circular No. (8) of 2015, in respect of assets and liabilities classification. Furthermore, a provision should be made for direct facilities at amortized cost and contingent liabilities itself, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities, and percentages identified in the Central Bank of Yemen instructions. Therefore, general risk provisions calculated on performing loans and advances and contingent liabilities provision are to be recognized in other provisions, rather than in equity.

3.3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. The historical cost basis is based on the fair value paid for those assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS (2), leasing transactions that are within the scope of IAS (17), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS (2) or value in use in IAS (36).

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1:** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** when the inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** inputs are unobservable inputs for the asset or liability.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank:

- Has power over the subsidiary;
- Is exposed, or has rights, to variable returns from its involvement with the subsidiary; and
- Has the ability to use its power to affect its subsidiary’s returns.

The Bank reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of a subsidiary, it has power over the subsidiary when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the subsidiary unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in a subsidiary are sufficient to give it power, including:

- The size of the Bank's holding of voting rights, its concentration in relation to the remaining holding of voting rights of the other shareholders and the size of its distribution among them;
- Potential voting rights held by the Bank to the remaining voting rights of the shareholders and other parties;
- The expected and potential voting power of the bank to the remaining voting power of the owners and other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances may indicate that the Bank has, or does not have, the ability to manage and direct the main activities of the subsidiary at the time require decision-making, and this includes the voting methodology that the shareholders used in previous meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the bank and subsidiary are eliminated upon consolidation of the financial statements.

3.5 Foreign currencies transactions

The Group (the Bank and its subsidiary unit) maintains its book of accounts in Yemeni Rial, which the Group's functional currency. Transactions in other currencies are translated to the respective functional currency during the financial year at the average official exchange rates issued by the CBY at the date of transaction. Balances of monetary assets and liabilities in other currencies at the end of the financial year are translated the average official exchange rates issued by the CBY on that date. Gains or losses resulting from translation are taken to the statement of comprehensive income. Foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the average official exchange rates issued by the CBY at the end of the year. Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the average official exchange rates issued by the CBY at the time of the transaction.

The Group does not deal in forward or options contracts, except to the extent to cover the Group needs or the customers' transactions with the Group in foreign currencies, which are settled in short term periods.

The Consolidated Financial Statements are presented in Yemeni Riyal ("YR") that is the main economic market currency, and all the values are rounded to nearest thousand Riyal, except when otherwise indicated.

3.6 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument except for “regular way” purchases and sales of financial assets which are recognized on settlement date basis.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, if any) are added to or deducted from fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All purchases and sales of financial assets that are made in the usual "usual" ways are recorded on the trade date. Regular purchases or sales are those related to financial assets that require delivery of assets within the timeframe specified by legislation or laws, or according to market norms.

All subsequently recognized financial assets are measured in their entirety at either amortized cost or fair value based on the classification of the financial assets.

The Group classifies its financial assets into the following specific categories: held-to-maturity investments, loans and advances and Islamic financing activities granted to clients and available-for-sale financial investments. The classification of financial assets is determined upon initial listing, depending on the nature of the financial assets and the purpose of their acquisition.

3.6.1 Held to maturity investments

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity, examples include treasury bills held to maturity dates, which represents treasury bills issued by the Central Bank of Yemen.

Financial instruments are initially recognized at fair value plus any directly attributable transaction costs.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses, with revenue recognized on an effective yield basis i.e. based on actual results.

If there is objective evidence that an impairment on held to maturity investments carried at amortized cost has been incurred, the amount of impairment loss recognized in the consolidated statement of comprehensive income is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the investments' original effective interest rate.

Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method. Therefore, treasury bills are recognized at nominal value after deducting issuance discount as at the date of the consolidated financial statements.

3.6.2 Loans, advance and Islamic financing activities

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investments will be recovered other than because of credit deterioration. Loans and receivables (including direct credit facilities to customers, Loans, advances and Islamic financing activities, and debit balances and other assets) are initially measured at fair value plus any directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

3.6.2.1 Financing and Islamic investing contracts

Murabaha: is an agreement whereby one party (the seller) sells an asset to the other party (the buyer) at cost plus profit on a deferred payment basis, after the seller has previously purchased and acquired based on a promise to buy from the customer on the basis of Murabaha. The selling price includes the cost of the asset and an agreed profit margin. The selling price (the cost and an agreed profit margin) is paid by the buyer to the seller in installments over the agreed financing period.

The Group considers the promise made for the purchase by the buyer of the Murabaha transaction in favor of the seller as binding. Murabaha receivables are stated at cost minus the deferred profits and provision for impairment.

Istisnaa's: is an agreement between the Group and a customer whereby the Group sells to the customer a developed asset according to agreed-upon specifications, for an agreed upon price.

Istisnaa's assets represent amounts paid as of the date of the consolidated statement of financial position against assets purchased for the benefit of Istisnaa projects plus deferred income, minus installments received.

Musharkat: Musharaka contracts are used to provide joint capital or project financing. The bank and the customer contribute to the participation capital. Usually, a special purpose company or partnership is formed to undertake the sharing. Profits are shared according to a pre-agreed percentage of profit, but the loss is borne by the partners based on the contribution of each partner to the capital. Participations may be cash or in-kind, as assessed at the time the participation was concluded. Participations are stated at cost net of impairment.

Ijarah Muntahia Bittamleek: is an agreement whereby the banks (as lessor) lease an asset to the customer (as lessee) after purchasing/acquiring the specified asset, either from a third-party seller or from the customer itself, according to the customer's request and promise to lease against certain rental payments for a specific lease term/periods, payable on fixed or variable rental basis. Ijarah may end with transfer of rented asset ownership to the lessee.

The lease agreement specifies the leased asset and the lease term, as well as the basis for calculating the rent, timing of lease payments, and the responsibilities of the parties to the agreement during the lease term. The client (the tenant) submits to the bank (the lessor) an undertaking to renew the lease term and to pay the related lease payments according to the agreed schedule and the formula applied during the lease term.

The bank (the lessor) maintains ownership of the asset during the lease term. At the end of the lease term, upon fulfilling all liabilities by the customer (the lessee) under the lease agreement, the bank (the lessor) sells the leased asset to the customer (the lessee) at a nominal value based on a pledge to sell by the bank (the lessor). The leased assets are usually residential real estate, commercial property, or machinery and equipment.

Depreciation is calculated on a straight-line basis for all lease-to-own assets except for lands (which do not have a specific life), at rates calculated to write off the cost for each asset over a shorter period, either from the lease term or the economic life of the asset, whichever is less.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank, either individually or as part of a syndication with other entities and leased to beneficiaries for their use in Ijarah Muntahia Bittamleek agreements whereby the ownership of the leased assets is transferred to the beneficiaries at the end of lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

3.6.3 Available for sale financial investments

Available for sale financial investments are non-derivatives that are either designated as AFSFI or are not classified as (a) loans and receivables, (b) held-to-maturity investments or. AFSFI are those intended to be held for an indefinite period of time and may be sold to meet liquidity requirements or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at fair value.

The fair values of quoted financial assets in active markets are based on current prices. The Group's AFSFI are unquoted and are not traded in an active market, and these are stated at cost less impairment unless fair value at the end of each reporting period can be reliably measured.

If an available-for-sale financial investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value, less any previous impairment loss recognized in the consolidated statement of comprehensive income is removed from equity and recognized in the consolidated statement of comprehensive income.

Gains and losses arising from changes in fair value are recognized in the other comprehensive income statement and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in the consolidated statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity in the cumulative changes in fair value is included in the consolidated statement of comprehensive income for the year.

3.6.4 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is calculated using the effective interest rate method and the dividends from available for sale financing investments are recognized in the consolidated statement of comprehensive income. Any other changes in the value of financial assets are included in the consolidated statement of comprehensive income, as well as reserves of the fair value of the investments. Interest income is recognized by applying the effective interest rate, except for loans and short-term receivables when the effect of discounting is immaterial.

When financial assets are sold or when impairment is recognized, gains or losses which were previously assembled in fair value reserve of investments in profit or loss are reclassified.

Dividends on financial assets are recognized in profit or loss when the Group's right to receive the dividends is established.

3.6.5 Impairment of financial assets

The Group assesses at the date of each consolidated statement of financial position whether there is objective evidence of impairment of a financial asset or a Group of financial assets. The value of the financial asset or Group of financial assets decreases and the impairment loss incurred if, and only if, there was objective evidence as a result of one or more events after the initial recognition of the asset ("loss event"), and that loss event (or events) has an impact on the expected future cash flows for a financial asset or Group of financial assets that can be estimated reliably.

Objective evidence of impairment of a financial asset or a Group of financial assets includes observable data that comes to the Group's attention about loss events:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Group grants a waiver to the borrower, for economic or legal reasons due to the borrower's financial difficulty, which in its absence the lender is not seen the subject of such waiver; or
- It is becoming probable that borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for such financial asset because of financial difficulties.
- Observable information indicating that there is a measurable decrease in the estimated future cash flows of a class of financial assets since the initial recognition of those assets, although it was not possible to determine impairment of individual financial asset in the class, including:
 - There is adverse change in the payment status of the borrower or,
 - Economic conditions national or local that coincides with settlement defaults on assets in the class.

Group assess availability of any objective evidence for impairment in values of financial assets on a collective basis even if they were assessed not to be impaired individually. If the Group identified the absence of objective evidence about existence of impairment of financial asset which is individually assessed, whether significant or not, is added to a class of financial assets with similar credit risk characteristics for assessing impairment existence in this class collectively.

Assets that are individually assessed for impairment is inserted into or continued to insert an impairment loss in its value are not included in the collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred on Islamic loans and advances and Islamic financing activities carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted according to the actual interest rate of the financial asset. The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is included in the consolidated statement of comprehensive income. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined according to the contract. As a practical expedient, the Group may measure impairment on the basis of the instrument's fair value using an observable market price

Future cash flows in a Group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience and the success of recovery of overdue amounts. Historical experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

The estimations must be reflected in the future cash flows of a Group of assets, and should be in line with the changes in the related information that can be monitored from time to time. (For example, changes in the unemployment rates, real estate prices, payment position or other factors that indicate changes in the loss possibilities in the group and its size).

The calculation of the present value of estimated future cash flows of the financial asset reflects the cash flows that may result from mortgage less costs for obtaining and selling the mortgage, whether a potential foreclosure or not.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between estimated losses and actual loss.

These characteristics are related to the estimation of future cash flows for groups of those assets, as they indicate the ability of the debtor to pay all accruals amounts according to the contractual terms of the assets being evaluated.

If a loan is uncollectible, were to follow all the necessary legal procedures and the final loss has been determined, it is written off against the provision associated with a decrease the value of the loan. And such loans are written off after completing all the necessary procedures and determine the amount of the loss. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in in the consolidated statement of comprehensive income.

In case of loans if the decreased amount of the impairment loss in a subsequent period can be attributed objectively to an event occurred after the impairment was recognized (such as an improvement in the credit rating of the debtor), the impairment loss previously recognized will be reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income.

In case of significant or prolonged decline at fair value of financial assets below its cost is considered in determining the existence of decline in the value of the asset. If such evidence exists for available for sale financial assets, then its accumulative losses are removed, which is measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset listed previously with profit or loss, from the consolidated statement of equity and to be included in the consolidated statement of comprehensive income.

3.6.6 Provision for Loans, advances and Islamic financing activities, and contingent liabilities

In addition to the above, and for the purpose of applying the Central Bank of Yemen instructions as per circular No. (6) of 1996, and circular No. (5) of 1998 and circular No. (8) of 2015 regarding the classification of assets and liabilities; a provision of direct credit facilities at amortized cost and contingent liabilities is made, in addition to a provision for general risks calculated on the total of loans and advances and other liabilities after deducting any balance secured by deposits and bank guarantees issued by foreign worthy banks. The provision is determined based on periodic comprehensive reviews of the credit portfolio and contingent liabilities. Accordingly, the provision is provided in accordance with the following rates at least:

Description	%
<u>Performing loans and advance and contingent liabilities</u>	
Performing Loans and advances (including watch list accounts)	2%
Performing contingent liabilities (including watch list accounts)	1%
<u>Non-performing loans and advance and contingent liabilities</u>	
Substandard loans and advance and contingent liabilities	15%
Doubtful loans and advance and contingent liabilities	45%
Bad loans and advance and contingent liabilities	100%

Loans, advances and Islamic financing activities are presented on the consolidated statement of financial position net of provisions and uncollected interests. Loans are written off if procedures taken towards their collection prove useless, or if directed by CBY inspection upon review of the portfolio by debiting the provision. Proceeds from loans previously written off in prior years are included in the consolidated statement of comprehensive income under “other income”.

During the year ended December 31, 2015, the CBY issued circular No. (8) of 2015, including an amendment of provision percentage on performing direct loans and advances from 1% to 2%.

3.6.7 De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Derecognizing of a financial asset at amortized cost in its entirety is measured by the difference between the asset's carrying amount and the sum of the consideration received in addition to receivable and is recognized in the consolidated statement of comprehensive income.

3.7 Financial liabilities

The Group classifies its financial liabilities into financial liabilities at amortized cost only (i.e. other financial liabilities).

3.7.1 Other financial liabilities

Other financial liabilities (including amounts due to banks, customer deposits, credit balances and other liabilities) are initially measured at their fair value which is the cost at the time of transaction and subsequently measured at amortized cost, using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis, except for short-term payables when the recognition of interest would be immaterial. All the financial liabilities of the Group are short term in nature.

3.7.2 De-recognition of financial liabilities

The Group de-recognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

3.8 Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, balances with the Central Bank (other than reserve balances), current accounts with other banks in addition to treasury bills and certificates of deposits which are due within three months.

3.9 Property and equipment

3.9.1 Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items, (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognized net within "other income/expenses" in the statement of comprehensive income. When revalued assets are sold, any related amount included in the revaluation surplus reserve is transferred to retained earnings.

3.9.2 Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

3.9.3 Depreciation

Depreciation is calculated based on the cost of property and equipment less its residual value - if any -.

The useful life is estimated for each part of the fixed asset, and if this part has a different useful life from the rest of the components of the asset, it will be depreciated separately.

These properties - except for land - are depreciated using a straight-line method and the amount of which is charged to the consolidated statement of comprehensive income and over its estimated useful life.

The following is a statement of the estimated useful lives of those properties for the purposes of calculating depreciation:

Statement	Estimated Useful Lives
Buildings and constructions	50 years
Furniture and equipment	5 - 10 years
Motor vehicles	5 years
Leasehold improvements	10 years or the lease term, whichever is less

It is reviewed annually by the Group's management knowledge of both the depreciation method and the estimated useful life as well as the values estimated as scrap at the end of the estimated useful life of that property (if any).

3.10 Impairment of non-financial tassets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of it is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Valuation of assets transferred to the Group's ownership as a repayment of loans

The assets that the ownership transferred to the group are included in the consolidated statement of financial position under the item "debit balances and other assets" in accordance with the instructions of the Central Bank of Yemen, with the value they have transferred to the Group minus any decrease in their value at the date of the financial statements - if any -, and the value of this decrease is charged to the consolidated statement of comprehensive income.

3.12 Contingent liabilities and commitments

Contingent liabilities and commitments (after deducting retained guarantees) in which the Group is a party are shown outside the consolidated statement of financial position under the item “Contingent liabilities and commitments” considering that they do not represent actual assets or liabilities as at the consolidated financial position date.

3.13 Other provisions

Provisions are recognized in the consolidated financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined, (when the effect of the time value of money is material), by discounting the expected future cash flows using a rate that reflects current market assessments, the time value of money and the risks related to the liability, when appropriate.

3.14 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.15 Revenue recognition

3.15.1 Net interest income

Interest income and expense is recognized in “net interest income” as “interest income” and “interest expense” in the profit or loss account using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows of the financial instrument over the expected life of the financial instrument or over a shorter period, whichever is appropriate, to the net carrying amount of the financial assets or financial liabilities. Future cash flows are estimated taking into account all contractual terms of the instrument. The effective interest rate calculation includes all fees and points paid or received between parties to a contract that are increasingly due directly to specific lending arrangements, transaction costs, and all other bonuses or discounts. For financial assets at fair value through profit or loss (if any), transaction costs are recognized in profit or loss upon initial recognition.

Interest is credited to debts that are past due for three months (low-value financial assets - non-performing debts) that are not paid marginally and are not raised on clients' debts and are not added to the profit and loss account only when they are collected and after they have been collected the origin of religion.

3.15.2 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part effective interest income (see above). The fees included in this part of the Group's consolidated statement of comprehensive income include among other things, fees charged for servicing a loan and non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement. Fees and commission expenses with regards to services are accounted for as the services are received.

3.15.3 Dividends income

Dividend's income is recognized when the right to receive payments is established. This is the ex-dividend date for listed equity securities (if any), and usually the date when shareholders approve the dividend for unlisted equity securities.

3.15.4 Murabaha financing, Istisna'a and construction transactions

Income from Murabaha, Istisna'a, and Construction contracts are recorded on the accrual basis of accounting as all profits at the completion of Murabaha contracts are recorded as deferred revenues and taken into the income statement or equity of restricted investments account holders depending on the finance percentage using the straight-line method over the term of the contract.

3.15.5 Investments in Mudaraba and Musharaka contracts

Income from investments in Mudaraba and Musharaka contracts, which initiate and terminate during the financial year, are recorded in the income statement at the disposing date of Mudaraba and Musharaka contracts.

Income from investments in Mudaraba and Musharaka contracts, which last for more than one financial year, are recognized, based on the cash dividends received on these transactions during the year.

3.15.6 Investments in sukuk

Revenue from investments in sukuk is recognized on a time proportionate basis using the rate of return declared by issuing institutions.

3.15.7 Ijarah Muntahia Bittamleek

Income from Ijarah Muntahia Bittamleek is proportionately allocated to the financial periods over the lease term.

3.15.8 Investments in associates

Revenues of investments in associates are recognized based on the Bank's share in the equity of these companies in accordance with the approved financial statements of these companies.

3.16 Return to unrestricted investments and saving accounts holders

The return due on unrestricted investments and savings accounts is determined on the basis of the Mudaraba contract according to which it is agreed to participate in the profit and loss resulting from various Islamic transactions during the financial period.

3.17 Retirement and social insurance

- a. Group's employees pay their share in return for social security according to the Yemeni Social Insurance Law No. (26) for the year 1991, as well as Law No. (25) 1991 regarding insurances and pensions. Contributions are paid to the General Organization for Social Insurance and the General Authority for Insurances and Pensions before the tenth day of the next month. The Group's contribution is charged to the consolidated statement of comprehensive income.
- b. The provisions of Social Insurance Law are applied to all employees of the Group concerning the end of service benefits.

3.18 Income Tax

- Taxes are calculated on the Group according to with the prevailing laws and regulations in the Republic of Yemen.
- According to Article (21) of Law (39) of 1982 establishing the Cooperative and Agricultural Credit Bank, the bank's profits are not subject to commercial and industrial profits tax. The bank is also not subject to the Income Tax Law No. (31) for the year 1991 and its subsequent amendments to the Republican Decree of Law No. (12) for the year 1999 and the provisions of Article No. (85) of Law No. (38) for the year 1998 regarding banks, until December 31, 2009.
- According to Article (160) of Income Tax Law No. (17) of 2010, bank profits are subject to tax based on a tax rate of 20% for the taxable base, starting from the year 2010.

- Due to the characteristics of the tax accounting in Yemen, application of International Accounting Standard on Income Taxes does not usually result in deferred tax liabilities. In the case that deferred tax assets have resulted from the application of this standard, these assets are not booked unless there is assurance that these assets will be realized in the near future.

3.19 Zakat due on shareholders

The due zakat is calculated on Group according to laws and instructions in the Republic of Yemen, and a provision is creating for the due zakat. The Group remits the Zakat due on the shareholders to the relevant governmental authority which decides on the allocation of Zakat.

3.20 Fatwa and Sharia supervision board

The Islamic branch activities are subject to the supervision of the Shari'a board. The Shari'a board's responsibility is the supervision and monitoring of the Shari'a aspects for the Islamic activities according to Islamic Shari'a principles.

3.21 Consigned assets

Consigned assets are not considered part of the Group's assets; therefore, they are not included in the Group's consolidated financial statements.

3.22 Segment information

Segment is a differentiable component of the Group that is engaged either in providing products or rendering services (business segment), or in providing products and services within a particular economic environment (geographical segment), which are subject to risks and returns that are different from those of other segments. The main form of a report on the Group's segment information is business segments based on the management structure and internal reporting. The main business of the Group is in sector of banking services provided to retail, corporates and banks.

3.23 Dividends for ordinary shares

Dividend distributions for ordinary shares are recognized in equity in the period in which they are approved by the shareholders. Dividend distributions for the year declared after the consolidated statement of financial position date are dealt with in a separate note.

3.24 Earnings per share

Basic earnings per share are calculated by dividing the profits (losses) of ordinary stock holders in the bank by the number of shares or the weighted average number of shares outstanding during the year.

3.25 Comparative figures

All amounts are included with the comparative figures, except as permitted by accounting standards or interpretations.

3.26 Parent company information

Statement of financial position and statement of comprehensive income of the bank (Parent) as disclosed in the supplementary information to the financial statements are prepared by using the same accounting policies as mentioned above except for the investments in subsidiaries which are recorded at cost.

4. Critical accounting assumptions and key sources of estimation of uncertainty

The preparation of the consolidated financial statements requires from the Group's management to make estimates and assumptions that affect the financial assets and liabilities shown at the date of the consolidated financial statements, and created provisions and changes in fair value during the year. These estimates are based on assumptions including many factors, which varies the degree of certainty, and these differences in actual results from management's estimates lead to changes in estimated future liabilities and assets.

Estimates and judgments are continually evaluated and are based primarily on historical experience and other factors, including expectations of future events that are believed to be reasonable according to the circumstances

The following are the estimations followed in preparing the consolidated financial statements:

4.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as financial assets as available for sale or held to maturity.

4.1.1 Available for sale assets

Management follows the guidance set out in International Accounting Standard IAS (39) Financial Instruments: Recognition and Measurement on classifying non-derivative as AFS assets.

4.1.2 Held to maturity investments

The management follows the guidance of IAS (39) on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances for example, selling an insignificant amount close to maturity, it will be required to classify the entire class as available for sale. The investments could, therefore, be measured at fair value, not at amortised cost.

4.2 Fair value estimation

Fair value is based on quoted market prices at the reporting date. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

4.3 Impairment losses on loans and advances

The purpose of the review of credit portfolio of customers is to determine the required provision for loans and advances balances and contingent liabilities, commitments which are studied in line with the laws and regulations issued by the Central Bank of Yemen.

In addition to laws and regulations issued by the Central Bank of Yemen Circular No. (6) of 1996, the Bank takes into account the following factors in the study:

- Analytical study of the customer's financial situation based on the financial statements and cash flow provided by the customer in addition to the movement of their accounts held with the group.
- The credit limit of the customer.

- The proportion of risk analysis, any customer's ability to implement a profitable business and collect enough cash for the repayment of amount borrowed.
- The value of the mortgage and the possibility of re-owned.
- The cost of debt recovery.
- The client's obligations with Tax Authority and the Social Security Corporation.

The Group's policy requires regular and periodic review for the impairment of the provisions of credit facilities in addition to the periodic evaluation of mortgages and make sure of the possibility of recovery.

The classification of loans as non-performing loans continues unless reclassified as current loans and the collection of interest and the principal amount of the loan are considered probable. The provision of loan losses is calculated and included in the consolidated statement of comprehensive income.

4.4 Impairment losses on AFS investments

The Group determines that shares' prices are impaired when there is a significant or prolonged decline in the fair value below its cost. The determination of what is significant or long-term requires judgment. In making this judgment, the management evaluates, among other factors, the normal course of volatility in the share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial situation of the investor and the performance of the field work, the sector and the changes in the technical, operational and financing cash flows.

4.5 Useful lives of property and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, maintenance programs, and normal wear and tear using best estimates.

5. Cash on hand and reserve balances with Central Bank of Yemen

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Cash on hand and ATMs		
Foreign currencies balances	20,033,299	11,204,243
Local currency balances	2,739,611	2,671,599
	22,772,910	13,875,842
Reserve Balances with Central Bank of Yemen		
Local currency balances	21,536,310	17,705,307
Foreign currencies' balances	12,182,170	12,384,122
	33,718,480	30,089,429
	56,491,390	43,965,271

In accordance with regulation of the Central Bank of Yemen, a mandatory reserve is maintained with the CBY calculated in 2019 as 10% of the total on customers' deposits in foreign currencies and 7% of the total on customers' deposits in local currency (2018: 10% and 7% of the total on customers' deposits in foreign currency and of the total on customers' deposits in local currency respectively). The Bank does not get any interest income on mandatory reserve balances with CBY.

6. Due from banks

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
<u>Balances with Central Bank of Yemen current accounts</u>			
Foreign currencies balances		26,418,804	8,876,378
Local currency balances		9,121,991	3,573,055
		35,540,795	12,449,433
<u>Balances with local banks</u>			
Time deposits		33,724,950	25,713,688
Current accounts		4,114,965	388,739
		37,839,915	26,102,427
<u>Balances with foreign banks</u>			
Current accounts		4,239,912	16,740,358
Time deposits		507,644	591,841
		4,747,556	17,332,199
Total balances due from banks		78,128,266	55,884,059
Less: Impairment provision on balances with banks	6.1	(4,042,176)	(758,367)
		74,086,090	55,125,692

- Time deposits with foreign and local banks carry variable interest rates, while current accounts with such banks do not carry any interest. The restricted time deposits with foreign banks amounted to YR 301,213 thousand as at December 31, 2019 (2018: YR 481,659 thousand).
- Balances with banks include balances in foreign banks and financial institutions equivalent to an amount of YR 4,747,556 thousand, the Group has lost control on it as a result of the transfer of the SWIFT, and the necessary provision for these balances were created by equivalent to an amount of YR 3,845,953 thousand, and the impairment provision on balances at the Central Bank of Yemen Aden was created with amount of YR 196,223 thousand.

6.1 Impairment provision on balances with banks

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Balance as at January 1	758,367	-
Provided during the year	3,283,809	758,367
Balance as at 31 December	4,042,176	758,367

7. Held to maturity investments

Held to maturity investments represent treasury bills (debt securities) issued by the Central Bank of Yemen on behalf of the Ministry of Finance in the Republic of Yemen and carry different interest rates.

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
<u>Held to maturity investments</u>		
Treasury bills maturing within 90 days	346,204,380	344,800,000
Treasury bills maturing within 180 days	50,000	100,000
Treasury bills maturing within 360 days	100,000	100,000
	346,354,380	345,000,000
less: Unearned discount balance	(11,483,345)	(11,155,920)
	334,871,035	333,844,080
Government bonds (non-registered)	4,460,866	4,460,866
	339,331,901	338,304,946

The treasury bills carry an interest rate between 16.01% up to 16.95% during the year ended December 31, 2019 (2018: between 15.78% and 16.95%). According to the Central Bank of Yemen instructions, treasury bills which mature within a period not exceeding three months are considered as a part of cash and cash equivalents.

As explained in Note (19), according to the minutes signed with the CBY on November 15, 2015 and the commitment signed during January 2019 from the bank's management that authorized the CBY to pledge the treasury bills with an amount of YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions are finally corrected. Also, the bank has committed to allocate the proceeds from these pledge treasury bills to create a provision or to reduce the short positions in foreign currencies.

In accordance with the Council of Ministers' Resolution No. (145) of 2006 dated April 11, 2006, Ministry of Finance should purchase the agricultural credit portfolio due to the Cooperative and Agricultural Credit Bank as at 31 December 2005 and according to the agreement reached between the Ministry of Finance and the Bank, the Central Bank of Yemen, on behalf of the Ministry of Finance, issued government bonds due for payment on April 11, 2016 according to the letter No. (180-130) dated May 10, 2016 sent by the Ministry of Finance to the Governor of the Central Bank of Yemen. These bonds were renewed for a period of one year starting from April 11, 2016 and according to bond No. (7) dated April 4, 2017 sent by Central Bank of Yemen based on letter No. (62-130) dated March 22, 2017 of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for a period of one year starting from April 10, 2017 and according to bond No. (10) dated April 11, 2018 sent by Central Bank of Yemen based on the letter No. (42-130) dated March 20, 2018 from the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for a period of one year starting from April 9, 2018, and according to bond No. (11) dated April 8, 2019 which is sent by Central Bank of Yemen based on letter No. (130-131) dated March 24, 2019 of the Ministry of Finance addressed to the Governor of the Central Bank of Yemen, these bonds were renewed for one year starting from April 8, 2019.

These bonds carry interest rates according to the average interest rate of three months' treasury bills and the CBY records the interest of these bonds to the Group's account every three months.

Interest on government bonds was stopped according to the Prime Minister Resolution No. (30) and the letter No. (661/110 MW) dated October 28, 2019 from the Ministry of Finance. According to Bank Letter No. (77) on August 30, 2020, and the letter No. (769/110 MW) dated September 12, 2020 from the Ministry of Finance, the value of government bonds should be recorded in the current bank account at the Central Bank of Yemen, but up to date the amount has not been recorded in the current account.

8. Loans, advances and Islamic financing activities

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
<u>Trading & Agricultural Loans and Advances</u>			
Financing accounts – Overdrafts		27,836,599	26,342,536
Loans to customers		31,830,499	32,197,130
Agricultural loans		732,918	751,707
L/Cs financing		18,733	18,733
		60,418,749	59,310,106
Less: Impairment provision for loans and advances (performing and non-performing)			
	8.1	(20,485,475)	(26,135,230)
Less: Uncollected interest	8.2	(24,819,640)	(21,750,367)
		15,113,634	11,424,509
<u>Islamic Financing Activities</u>			
Istisna'a transactions financing		3,236,409	3,247,459
Ijarah Muntahia Bittamleek		2,583,118	2,942,484
Murabaha transactions financing		942,162	1,289,769
Agricultural financing		114,123	232,102
Investments in Musharakah contracts		-	36,031
		6,875,812	7,747,845
Less: Deferred revenue		(60,898)	(90,013)
Less: Uncollected revenue		(75,183)	(76,041)
Less: Impairment provision on for Islamic financing activities	8.3	(1,381,575)	(1,604,258)
Less: Accumulated depreciation for Ijarah Muntahia Bittamleek		(2,164,517)	(2,217,834)
		3,193,639	3,759,699
		18,307,273	15,184,208

According to the provisions of Article No. (85) of the Banking Law No. (38) of 1998 as well as Article No. (14) of the Income Tax Law No. (17) of 2010 all provisions formed in accordance with the instructions of the Central Bank of Yemen regarding loans, credit facilities and contingent liabilities are exempted. Than to be subject to income tax.

Non-performing loans, advances and Islamic financing activities were amounting to YR 63,919,183 thousand as at December ,31 2019 (2018: YR 60,612,270 thousand). The Bank maintains a variety of good guarantees, such as real estate , cash guarantees against loans and advances granted to customers. Cash guarantees against credit , loans and other facilities were an amount of YR 25,980,929 thousand as at December 31, 2019 (2018: YR 13,713,074 thousand).

The following are details of loans, advances and Islamic financing activities covered with cash guarantees:

	Loans, Advances and Islamic Financing Activities YR'000	2019 Cash Guarantees YR'000	Net Loans, Advances and Islamic Financing Activities YR'000
Substandard loans, advances and Islamic financing activities	84,712	(1,275)	83,437
Doubtful loans, advances and Islamic financing activities	31,532	(4,612)	26,920
Bad loans, advances and Islamic financing activities	63,802,939	(25,957,493)	37,845,446
	63,919,183	(25,963,380)	37,955,803
Performing loans, advances and Islamic financing activities	792,260	(17,549)	774,711
	64,711,443	(25,980,929)	38,730,514

	Loans, Advances and Islamic Financing Activities YR'000	2018 Cash Securities YR'000	Net Loans, advances and Islamic Financing Activities YR'000
Substandard loans, advances and Islamic financing activities	157,008	-	157,008
Doubtful loans, advances and Islamic financing activities	96,328	(1,080)	95,248
Bad loans, advances and Islamic financing activities	60,358,934	(11,300,131)	49,058,803
	60,612,270	(11,301,211)	49,311,059
Performing Loans, advances and Islamic financing activities	3,503,197	(2,411,863)	1,091,334
	64,115,467	(13,713,074)	50,402,393

8.1 Impairment provision for commercial and aquiculture loans and advances (performing and non-performing)

This item consists of the following as of December 31:

	Notes	Specific YR'000	2019 General YR'000	Total YR'000
Balance at the beginning of the year		26,127,161	8,069	26,135,230
Add: Provided during the year	31	1,140,255	-	1,140,255
Less: Used during the year		(363,213)	-	(363,213)
Less: Reversed during the year		(6,426,575)	(92)	(6,426,667)
Transferred from general to specific provision		-	-	-
Retranslation differences of provision in foreign currencies		(130)	-	(130)
Balance at end of the year		20,477,498	7,977	20,485,475

	Notes	Specific YR'000	2018 General YR'000	Total YR'000
Balance at the beginning of the year		28,150,870	17,179	28,168,049
Add: Provided during the year	31	-	-	-
Less: Used during the year		(21,336)	-	(21,336)
Less: Reversed during the year		(2,010,988)	-	(2,010,988)
Transferred from general to specific provision		9,110	(9,110)	-
Retranslation differences of provision in foreign currencies		(495)	-	(495)
Balance at end of the year		26,127,161	8,069	26,135,230

When calculating provisions for such loans and advances, subsequent collections made during the next year were taken into account.

In accordance with the instructions of the Central Bank of Yemen, provisions are classified into specific and non-specific (general provision for debts and facilities). Based on the instructions of the Central Bank of Yemen, a 2% provision is provided for all performing direct credit facilities and indirect facilities after deducting related cash margins.

During the year ended on December 31, 2015, the Central Bank of Yemen has issued Circular No. (8), which refers to adjusting the provision percentage on regular direct loans and advances from 1% to 2%.

In accordance with the provisions of IAS (39), measurement method can be applied for impairment of credit facilities and financial assets based on the groups and by applying the study of impairment on the sets of credit facilities and financial assets that have been studied and analyzed individually and proved not to be impaired, while there are indications of impairment in similar groups, and the decline in the value of each asset within that Group cannot be identified.

8.2 Uncollected interest

Uncollected interests are due interests on non-performing loans and advances, which is recognized as revenue only when actually collected in accordance with the CBY instructions.

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	21,750,367	17,913,522
Uncollected interest written off or collected during the year	(2,453,064)	(559,667)
Increased during the year	5,523,018	4,397,988
Retranslation differences of provision in foreign currencies	(681)	(1,476)
Balance at end of the year	24,819,640	21,750,367

8.3 Impairment provision for Islamic financing activities

This item consists of the following as of December 31:

	Notes	Specific YR'000	2019 General YR'000	Total YR'000
Balance at the beginning of the year		1,590,402	13,856	1,604,258
Add: Provided during the year	31	54,525	-	54,525
Less: Used during the year		-	-	-
Less: Reversed during the year		(277,208)	-	(277,208)
Transferred from general to specific provision		7,229	(7,229)	-
Retranslation differences of provision in foreign currencies		-	-	-
Balance at end of the year		1,374,948	6,627	1,381,575

	Notes	Specific YR'000	2018 General YR'000	Total YR'000
Balance at the beginning of the year		1,199,341	8,840	1,208,181
Add: Provided during the year	31	391,656	4,421	396,077
Less: Used during the year		-	-	-
Less: Reversed during the year		-	-	-
Transferred from specific to general provision		(595)	595	-
Retranslation differences of provision in foreign currencies		-	-	-
Balance at end of the year		1,590,402	13,856	1,604,258

9. Available for sale financing investments

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
Asas Real Estate Company Limited		1,049,802	1,049,802
General Company for Real Estate Investment Limited		600,000	600,000
National Company for Electronic Financial Services		507,500	-
Y-Telecom Company		430,043	430,043
Yemeni Financial Services		95,483	95,483
Yemen Company for Manufacturing Pumps		15,750	15,750
Dates Factory in Al Tahiti		11,834	11,834
Yemen Hotels Company		2,500	2,500
Yemen Company for Marketing Agricultural Products		1,350	1,350
Yemen British Investment Company		125	125
		2,714,387	2,206,887
CAC International Bank – Djibouti		69,178	69,178
		2,783,565	2,276,065
Less:			
Impairment of available for sale financing investments	9.1	(1,589,389)	(1,676,065)
		1,194,176	600,000

Available for sale financing investments represent unquoted investments, due to the difficulty of obtaining a reliable estimate of fair value for these investments and there are no quoted market prices and future cash flows are not determinable, these investments were carried at cost.

9.1 Impairment of available for sale financing investments

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	1,676,065	1,698,535
Add: impairment during the year	-	-
Less: Reversed during the year	(86,676)	(22,470)
Balance at end of the year	1,589,389	1,676,065

10. Investment in Islamic Sukuk

This item consists of the following as of December 31:

	2019		2018	
	Number of Sukuk YR'000	Value of Sukuk YR'000	Number of Sukuk YR'000	Value of Sukuk YR'000
<u>Investment in Sukuk</u>				
Governmental Islamic – restricted	-	-	-	-
	-	-	-	-

The nominal value of Sukuk is YR 1,000,000, issued by the Unit of Islamic Sukuk at CBY. The Yemen government represented by the Ministry of Finance guarantees such Sukuk at the maturity dates and authorizes the Central Bank of Yemen to deduct such dues from the Ministry of Finance account with the Central Bank of Yemen at the maturity dates.

11. Investment in associates

This item consists of the following as of December 31:

	2019 Share %	YR'000	2018 Share %	YR'000
Mareb Poultry Company	27.32	490,098	27.32	490,098
CAC Insurance Company	21.00	203,181	21.00	204,572
		693,279		694,670

Following are the details of the movements during the year:

	2019 YR'000	2018 YR'000
Balance as at January1,	694,670	632,631
Net share of bank in profit	28,024	62,039
Cash distributions received during the year	(29,415)	-
Derecognized Investments during the year	-	-
Balance as at December 31	693,279	694,670

Based on the latest audited financial statements of Mareb Poultry Company for the year ended 2017, that the auditor relied on for the year ended 2018, the total assets of Mareb Poultry Company amounted to YR 2,334,141 thousand and the total liabilities amounted to YR 540,226 thousand. Moreover, Mareb Poultry Company has realized a net profit of YR 47,814 thousand and there is no change in equity due to our reliance on the same financial statements that the previous auditor relied on due to the absence of audited financial statements for the year 2018 and 2019.

The total assets of CAC Insurance Company amounted to YR 3,927,433 thousand (compared with YR 3,064,964 thousand for the year 2018). Moreover, the total liabilities amounted to YR 2,945,118 thousand (compared with YR 2,134,806 thousand for the year 2018). Also, CAC Insurance Company has realized a net profit of YR 155,555 thousand (compared with YR 161,175 thousand for the year 2018) according to the last audited financial statements for the year ended 2019.

12. Debit balances and other assets

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
Assets transferred to the Group's ownership as a repayment of debts		3,583,414	3,583,414
Prepaid expenses		474,389	407,410
Accrued interests and income		428,204	354,975
Projects in process (advances)		326,056	188,152
Advances to employees		149,739	142,169
Other debit balances		3,668,212	2,967,863
		8,630,014	7,643,983
Less: Provision for doubtful debts balances and other assets	12.1	(5,381,930)	(5,165,395)
		3,248,084	2,478,588

Assets transferred to the Group's ownership as a repayment of debts of some customers, which are expected to be sold within (12) months from the date of the consolidated statement of financial position are considered available for sale fixed assets.

12.1 Provision for doubtful debts balances and other assets

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	5,165,395	4,942,128
Add: Provided during the year	460,564	332,550
Less: Used during the year	(144)	(109,126)
Less: Reversed during the year	(243,815)	-
Retranslation differences of provision in foreign currencies	(70)	(157)
Balance at end of the year	5,381,930	5,165,395

13. Property and equipment

This item consists of the following as of December 31:

	Land, Buildings and Constructions YR'000	Furniture and Equipment YR'000	Motor Vehicles YR'000	Leasehold Improvements YR'000	Total YR'000
Cost					
Balances at January 1 ,2019	1,064,310	7,739,576	874,678	1,614,160	11,292,724
Additions	9,830	259,694	1,691	1,989	273,204
Disposals	(46,665)	(75,948)	-	(18,892)	(141,505)
Reclassifications	38,971	79,294	(3,690)	(114,575)	-
Balance at December 31, 2019	1,066,446	8,002,616	872,679	1,482,682	11,424,423
Accumulated Depreciation					
Balances at January 1 ,2019	323,430	6,631,743	829,871	1,335,509	9,120,553
Depreciation of the year	20,673	410,053	18,747	112,164	561,637
Disposals	(22,395)	(68,417)	-	(18,505)	(109,317)
Reclassification	32,612	63,064	(3,690)	(91,986)	-
Balance at December 31, 2019	354,320	7,036,443	844,928	1,337,182	9,572,873
Net book value at December 31, 2019	712,126	966,173	27,751	145,500	1,851,550
Used Depreciation rates	%2-%0	10% - 20%	20%	Lower of 10% Or lease term	-

	Land, Buildings and Constructions YR'000	Furniture and Equipment YR'000	Motor Vehicles YR'000	Leasehold Improvements YR'000	Total YR'000
Cost					
Balances at January 1 ,2018	1,056,934	7,460,363	873,566	1,571,648	10,962,511
Additions	7,376	297,321	1,112	43,672	349,481
Disposals	-	(19,268)	-	-	(19,268)
Reclassifications	-	1,160	-	(1,160)	-
Balance at December 31, 2018	1,064,310	7,739,576	874,678	1,614,160	11,292,724
Accumulated Depreciation					
Balances at January 1 ,2018	304,206	6,200,412	775,045	1,207,233	8,486,896
Depreciation of the year	19,224	449,978	54,826	128,803	652,831
Disposals	-	(19,174)	-	-	(19,174)
Reclassification	-	527	-	(527)	-
Balance at December 31, 2018	323,430	6,631,743	829,871	1,335,509	9,120,553
Net book value at December 31, 2018	740,880	1,107,833	44,807	278,651	2,172,171
Used Depreciation rates	0%-2%	20%-10%	20%	Lower of 10% Or lease term	-

14. Right to use leased assets

This item consists of the following as of December 31:

	2019 YR'000
<u>Cost</u>	
Balance at January 1, 2019	1,736,370
Additions of the right to use leased assets during the year	217,246
Expired right to use leased assets during the year	-
Retranslation differences of foreign currencies	-
	1,953,616
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	-
Depreciation of the year	494,208
Depreciation of the right to use expired leased Assets during the year	-
Retranslation differences of foreign currencies	-
	494,208
Net right to use leased assets as at December 31, 2019	1,459,408

15. Due to bank and financial institutions

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
<u>Current accounts</u>		
Local currency balances	2,437,258	4,968,719
Foreign currencies balances	1,623,285	559,375
	4,060,543	5,528,094
<u>Time deposits</u>		
Foreign currencies balances	12,177,257	11,584,131
Local currency balances	6,649,227	3,991,035
	18,826,484	15,575,166
Total due to banks and financial institutions	22,887,027	21,103,260

Current accounts and time deposits due to banks and financial institutions carry different rates of interest.

16. Customers' deposits

16.1 Customers' deposits according to type

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Time deposits	207,421,947	210,283,817
Current and demand accounts	180,387,890	152,836,143
Time deposits - restricted	14,095,712	8,551,153
Savings accounts	13,697,392	12,352,875
Margins of LCs and LGs	10,715,513	8,562,099
E-money deposits	746,311	200,390
Other deposits	2,982,347	3,113,842
	430,047,112	395,900,319

Time deposits and saving accounts bear fixed interest rates during the deposit period, while other current accounts, cash margins, and other deposits earn nil interest.

Customer deposits as at December 31, 2019 include amounts booked for direct and indirect credit facilities amounted to YR 25,980,929 thousand (compared with YR 13,713,074 thousand as at December 31, 2018).

16.2 Customers' deposits according to sectors

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Public and mixed sectors	148,528,557	154,836,939
Corporations	141,291,896	111,221,984
Individuals	82,561,191	83,557,803
Other	57,665,468	46,283,593
	430,047,112	395,900,319

17. Long term loans

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
Mahra Rural Development Project	17.1	45,965	49,135
Tehama Development Project - III	17.2	5,271	5,271
Raimah Development Project	17.3	3,396	3,821
Arab Fund for Economic and Social Development	17.4	-	650,650
		54,632	708,877

17.1 Mahra rural development project

On November 11, 1999, the government received a loan from International Fund for Agricultural Development (IFAD) to activate the agricultural sector in Mahra Development Project, which will mature on June 1, 2034. The Group is executing the project through an agreement with the Ministry of Finance.

17.2 Tehama development project

On April 16, 1980, the government received a loan from Reconstruction Credit Institution of Germany to activate the agricultural loans activities in the Tehama Development Project matured on April 16, 2009. The Group is executing the project through an agreement with the Ministry of Agriculture and Irrigation.

17.3 Raimah development project

On December 15, 1997, the government received a loan from International Fund for Agricultural Development (IFAD) to activate the agricultural loans activities in the Raimah Development Project, which will mature on July 1, 2027. The Group is executing the project through an agreement with the Ministry of Finance.

17.4 Arab fund for economic and social development

On October 22, 2014, the government received the first installment of the loan from the Arab Fund for Economic and Social Development in Kuwait in the amount of USD 12.5 million from a total loan of USD 50 million to finance the small and medium enterprises in the agricultural and fisheries field, which will mature in January 28, 2026. The Group is executing the project through an agreement with the Ministry of Planning and International Cooperation. An amount of USD 2.6 million was paid during the year, so that the loan balance as of December 31, 2019 becomes fully paid. The group is implementing the project through an agreement with the Ministry of Planning and International Cooperation.

18. Credit balances and other liabilities

This item consists of the following as of December 31:

	Notes	2019 YR'000	2018 YR'000
Insurance and guarantees from others		2,961,687	2,828,381
Zakat	18.2	2,356,905	1,160,855
Accrued interest payable		2,268,036	1,994,125
Lease contracts liabilities	18.3	1,464,347	-
Income tax	18.1	1,419,631	1,719,089
Accrued expenses		1,229,355	1,119,276
Unearned revenue		34,073	36,530
Other credit balances and liabilities		1,477,727	1,272,065
		13,211,761	10,130,321

18.1 Income tax

Income tax is provided at 20% (2018: 20%) of the annual amended profit for tax purposes. The table below shows the movement of income tax provision:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	1,719,089	1,380,295
Add: Provided during the year	1,030,837	437,661
Less: Paid during the year	(1,330,295)	(98,867)
	1,419,631	1,719,089

18.2 Zakat

The Group submits its Zakat declaration annually and pays the amount due based on the declaration. The table below shows the movement of Zakat provision:

Following are the details of the movements of Zakat:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	1,160,855	584,706
Add: Provided during the year	1,427,949	928,956
Less: Paid during the year	(231,899)	(352,807)
	2,356,905	1,160,855

18.3 Lease liabilities

This item consists of the following as of December 31:

	2019 YR'000	2018 YR'000
Balance at the beginning of the year	1,736,370	-
Add: Provided during the year	217,246	-
Add: Debit interest	64,678	-
Less: Paid during the year	(553,947)	-
	1,464,347	-

19. Other provisions

This item consists of the following as of December 31:

Notes	Provision for Contingent Liabilities YR'000	Provisions for Contingent Claims YR'000	2019 Provision for losses- Resulting from Fluctuation in Foreign Exchange Rates- and its Impact Upon the Exposure Foreign Currency Position * YR'000	Total YR'000
Balance at the beginning of the year	1,068,715	103,451	5,840,000	7,012,166
Provided during the year	-	219,777	-	219,777
Used during the year	-	-	-	-
Reversed during the year	(825,131)	-	-	(825,131)
Retranslation differences of foreign currencies	(247)	-	-	(247)
Balance at end of the year	243,337	323,228	5,840,000	6,406,565

Notes	Provision for Contingent Liabilities YR'000	Provisions for contingent Claims YR'000	2018 Provision for Losses- Resulting from Fluctuation in Foreign Exchange Rates- and its Impact Upon the Exposure Foreign Currency Position YR'000	Total YR'000
Balance at the beginning of the year	304,234	178,714	5,840,000	6,322,948
Provided during the year	774,313	103,451	-	877,764
Used during the year	-	(178,714)	-	(178,714)
Reversed during the year	(9,082)	-	-	(9,082)
Retranslation differences of foreign currencies	(750)	-	-	(750)
Balance at end of the year	1,068,715	103,451	5,840,000	7,012,166

- Provision for contingent liabilities is calculated at 1% on the total contingent liabilities after deducting balances secured by deposits and guarantees issued by highly credit rated foreign banks.
- As described in note (37.3), and in accordance with the instructions issued by the Central Bank of Yemen to all banks operating in the Republic of Yemen, which stated that foreign currencies sensitivity analysis should be performed and presented regarding the effect of foreign currencies fluctuations on the financial statements, based on the exchange rate of the parallel market and stating the effect of such change on the consolidated statement of comprehensive income, and banks holding short foreign currencies financial positions should create a provision for losses related to the exposure of the difference between the value of the foreign currencies short positions according to the closing rates as per CBY instructions and the average parallel market exchange rate.

During the year ended December 31, 2019, the bank did not create any provision against expected losses related to foreign currencies position, according to the minutes signed with the CBY on November 15, 2015 and the commitment signed during January 2019 from bank's management to CBY to gradually correct its short foreign currencies position with a minimum of 10% from annual exposure and to reach the allowed limits in accordance with the instructions issued in this regard. At the end of the year, the bank's management covered part of the exposure to the foreign currencies position from YR 74 billion in 2018 to YR 57 billion in 2019, with a decrease in the foreign currencies position by 23%. The commitment also included giving the authority to CBY to pledge the treasury bills amounting of YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions is finally corrected. Also, the bank's management has committed to allocate the proceeds from the reserved balance of these treasury bills to create a provision or to reduce the short foreign currencies positions.

During the year ended December 31, 2017, according to CBY letter (Banking Control Sector) No. 1955 dated May 24, 2018, the Group's management created a provision against expected losses related to foreign currencies position according to the results of the financial statements for the year ended December 31, 2017 amounting to YR 5,840,000 thousand, within the group's operations results.

20. Paid-up Capital

As at December 31 2019, the paid-up capital represents amounts YR 20 billion (2018: YR 20 billion) divided into 20 million shares of YR 1,000 per share , as follows:

	Number of Shares	2019 Percentage of Holding %	Value of Shares YR'000
Agricultural Promotion Fund	8,100,000	40.50	8,100,000
Government represented by the Ministry of Finance	6,764,000	33.82	6,764,000
Civil Aviation and Metrology Authority	5,000,000	25.00	5,000,000
General Confederation of the Civil Cooperation Authority	136,000	0.68	136,000
	20,000,000	100	20,000,000

	Number of Shares	2018 Percentage of holding %	Value of Shares YR'000
Agricultural Promotion Fund	8,100,000	40.50	8,100,000
Government represented by the Ministry of Finance	6,764,000	33.82	6,764,000
Civil Aviation and Metrology Authority	5,000,000	25.00	5,000,000
General Confederation of the Civil Cooperation Authority	136,000	0.68	136,000
	20,000,000	100	20,000,000

21. Statutory reserve

- In accordance with the article No. (12-1) from the Banks' Law No. (38) of 1998, 15% of the net profit for the year is transferred to the statutory reserve until the balance of this reserve reaches twice the capital. The Bank cannot use this reserve without the prior approval of the Central Bank of Yemen.
- Capital is increased by the proceeds from the par value of the issued shares, and in case shares were issued with a premium amount over the par value, the net increase is included in statutory reserve, in accordance with the commercial companies' law no. (22) of 1997 of the Republic of Yemen.
- Statutory reserve comprises an amount of YR 500 Million in the form of premium in excess of par value during the year 2008.

22. Contingent liabilities and commitments

This item consists of the following as of December 31:

	2019		
	Gross Commitments YR'000	Margin Held YR'000	Net Commitments YR'000
Letters of credit	5,736,226	(668,612)	5,067,614
Letters of guarantee	26,875,448	(7,609,286)	19,266,162
	32,611,674	(8,277,898)	24,333,776

	2018		
	Gross Commitments YR'000	Margin Held YR'000	Net Commitments YR'000
Letters of credit	7,381,864	(858,984)	6,522,880
Letters of guarantee	29,180,282	(6,225,673)	22,954,609
	36,562,146	(7,084,657)	29,477,489

23. Interest income

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Interest on loans, advances and Islamic financing activities	414,432	833,619
Interest on Government Bonds	440,206	755,516
Interest on due from banks	5,130,428	3,154,157
	5,985,066	4,743,292

24. Interest expenses

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
<u>Interest on customers' deposits:</u>		
Time deposits	24,070,904	22,816,917
Saving accounts	1,770,487	1,815,587
	25,841,391	24,632,504
<u>Interest on balances due to banks and loans:</u>		
Time deposits for banks	1,413,805	1,577,789
Long terms loans	1,121	23,703
	1,414,926	1,601,492
	27,256,317	26,233,996

25. Islamic financing and investments activities income

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Income from Ijarah Muntahia Bittamleek	53,498	85,976
Income from financing Murabaha transactions	51,105	65,814
Income from agricultural financing	19,953	15,179
Income from Istisna'a transactions	2,818	2,068
Income from Musharakah transactions	1,194	16,770
Income from Islamic Sukuk	-	7,125
	128,568	192,932

26. Return of unrestricted investments and saving accounts holders

The investment returns are allocated between shareholders and customers based on the percentage of their contribution weighted by numbers. This allocation is proposed by the balance sheet committee which calculates investments in local and foreign currencies and their related numbers and contribution. The average return ratios are as follows:

	2019 Local Currency %	Foreign Currencies %	2018 Local Currency %	Foreign Currencies %
Investment deposits	10%	4%	8.90%	3.90%
Saving accounts	5%	2%	4.50%	1.90%

27. Fees and commission income

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Commissions on received transfers	206,567	279,845
Commissions on letters of guarantee	146,121	158,052
Commissions on letters of credit	11,423	60,233
Other banking service charges	984,850	920,477
	1,348,961	1,418,607

28. Losses from foreign currencies transactions

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Loss from foreign currencies transactions	(21,957,746)	(17,287,259)
Gain (Loss) from retranslation of foreign currencies	61,935	(27,137)
	(21,895,811)	(17,314,396)

29. Financial investments income

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Fair value financial assets through other comprehensive income	-	998,966
Income from investments in associates	28,024	62,039
	28,024	1,061,005

30. Other incomes

This item consists of the following for the year ended December 31:

	Notes	2019 YR'000	2018 YR'000
<u>Provisions reversed during the year</u>			
Impairment provision for commercial and aquiculture loans and advances (performing and non-performing)	8.1	6,426,667	2,010,988
Other provisions	19	825,131	9,082
Impairment provision for Islamic financing activities	8.3	277,208	-
Provision for doubtful debts balances and other assets	12.1	243,815	-
Impairment of available for sale financing investments	9.1	86,676	22,470
		7,859,497	2,042,540
Income from owned properties rental		10,560	4,800
Gain from sale of property and equipment		328	-
Other incomes		2,254	16,711
		7,872,639	2,064,051

31. Impairment loss on financial assets (provision)

This item consists of the following for the year ended December 31:

	Notes	2019 YR'000	2018 YR'000
Impairment provision on balances with banks	6.1	3,283,809	758,367
Impairment provision for commercial and aquiculture loans and advances (performing and non-performing)	8.1	1,140,255	-
Provision for doubtful debts balances and other assets	12.1	460,564	332,550
Other provisions	19	219,777	877,764
Impairment provision for Islamic financing activities	8.3	54,525	396,077
		5,158,930	2,364,758

32. Staff costs

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Salaries, allowances and incentives	7,503,251	7,223,470
Social security subscriptions	261,976	246,093
Medical expenses	874,465	972,314
	8,639,692	8,441,877

33. Other expenses

This item consists of the following for the year ended December 31:

	2019 YR'000	2018 YR'000
Sharia Zakat	1,427,949	928,956
Maintenance	569,585	437,047
Subscriptions and fees	520,575	391,072
Security and guarding expenses	451,645	391,000
Electricity and water	349,884	176,470
Transportation and transfers	328,129	369,048
Insurance	317,593	337,923
Rents	296,237	743,542
Communication expenses	279,418	291,287
Transfer wages	245,669	187,417
Advertisement and publicity	108,056	107,364
Stationery and prints	86,219	104,705
Legal and professional fees	84,432	73,178
Training	64,981	82,112
Costs of financing the right to use leased assets	64,678	-
Miscellaneous other expenses	393,899	496,212
	5,588,949	5,117,333

34. Earnings per share

This item consists of the following as of December 31:

	2019	2018
Profit per share attributable to Bank's equity holders (YR'000)	385,451	375,297
Weighted average number of shares (Thousand shares)	20,000	20,000
Earnings per share (YR)	19.27	18.76

35. Related party transactions

The transactions with related parties in these consolidated financial statements are as follows:

	2019 YR'000	2018 YR'000
<u>Deposits</u>		
Balance at January 1	15,243,084	13,255,458
Added during the year	-	1,987,626
Deducted during the year	(2,658,090)	-
Exchange rate differences	-	-
Balance as at December 31	12,584,994	15,243,084
<u>Finances and loans</u>		
Balance at January 1	615,592	309,192
Added during the year	541,424	306,400
Deducted during the year	-	-
Exchange rate differences	-	-
Balance as at December 31	1,157,016	615,592
<u>The benefits</u>		
Interests and commissions collected	27,198	4,771
Paid interests	(508,923)	(180,370)
Balance as at December 31	(481,725)	(175,599)
<u>Remuneration for people in top management</u>		
Salaries of directors and key managers, bonuses and session allowances paid during the year	212,568	226,126
Balance as at December 31	212,568	226,126

36. Fair value information

Based on the evaluation method described below, the Group considers the fair value of all financial instruments shown in the statement of financial position and off-balance sheet items as of December 31, 2019 are not materially different from their carrying values at the consolidated statement of financial position date.

36.1 Estimating the fair values

36.1.1 Customers' Loans and advances

The fair value is calculated based on the expected future cash flows discounted for the asset and interests. It was assumed that loan repayments took place in the due dates as per agreement when applicable. For loans that have no specific repayment dates or those that are subject to collection risks, repayment is estimated based on previous periods experience when interest rates were at levels similar to current interest rates levels, adjusted for any changes in the expected interest rate. Estimation of future cash flows is developed taking into consideration the associated credit risk and any indications of impairment. An estimate of future cash flows for any similarly classified loans on a portfolio basis and are discounted at current rates for similar loans available to new borrowers with similar credit profiles. The estimated fair values reflect the changes in the credit position from the date of granting the loans, they also reflect changes in interest rates in case of fixed interest rates loans.

36.1.2 Investments

Fair value is based on quoted market prices at the consolidated statement of financial position date. In the absence of a quoted market price, fair value is estimated using discounted cash flow techniques and any other methods of evaluation. When the discounted cash flow techniques are applied it shall be based on management's best estimates of these future cash flows and the discount rate is the rate prevailing in the market for a similar financial instrument at the consolidated statement of financial position date.

36.1.3 Current accounts balance due to\from banks

The book value of current accounts balances due to/from banks, was considered to serve as an appropriate estimate of fair value due to their short-term nature.

36.1.4 Deposits at banks and customers' deposits

For demand deposits and deposits with unknown maturities, fair value is considered to be the amount payable on demand at the consolidated statement of financial position date. The estimated fair value of deposits with fixed maturity periods is based on discounted cash flows using interest rates currently offered for deposits of similar remaining maturities. When estimating fair value, long-term relationships with depositors are not taken into account.

36.2 Other financial instruments in the consolidated statement of financial position

The fair values of all other financial instruments in the consolidated statement of financial position approximate to their carrying values.

36.3 Financial instruments outside the consolidated statement of financial position

No adjustments are made to the fair value of financial instruments outside the consolidated statement of financial position that are related credit, which includes contingencies to provide credit facilities, letters of credit and letters of guarantees, because future revenues associated with them reflect fundamentally contractual fees and commissions related to agreements with similar credits and maturities at the consolidated financial position date.

36.4 Fair value compared to book value

The fair value of financial assets and liabilities approximates to their book values as shown in the consolidated statement of financial position.

The following tables provide analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the observability of the fair value measurement inputs and the degree of their importance to the fair value measurement process as a whole.

	Carrying Value YR'000	2019			
		Level 1	Level 2	Level 3	Total
		YR'000	YR'000	YR'000	YR'000
<u>Assets</u>					
Due from banks	74,086,090	-	74,086,090	-	74,086,090
Held to maturity investments	339,331,901	-	339,331,901	-	339,331,901
Available for sale financial investments	1,194,176	-	-	1,194,176	1,194,176
Investment in Islamic Sukuk	-	-	-	-	-
Loans, advances and Islamic financing activities	18,307,273	-	-	18,307,273	18,307,273

Liabilities					
Due to banks and financial institutions	22,887,027	-	22,887,027	-	22,887,027
Customers deposits	430,047,112	-	430,047,112	-	430,047,112

	Carrying Value YR'000	2018			
		Level 1	Level 2	Level 3	Total
		YR'000	YR'000	YR'000	YR'000
<u>Assets</u>					
Due from banks	55,125,692	-	-	55,125,692	55,125,692
Held to maturity investments	338,304,946	-	338,304,946	-	338,304,946
Available for sale financial investments	600,000	-	-	600,000	600,000
Investment in Islamic Sukuk	-	-	-	-	-
Loans, advances and Islamic financing activities	15,184,208	-	-	15,184,208	15,184,208

Liabilities					
Due to banks and financial institutions	21,103,260	-	-	21,103,260	21,103,260
Customers' deposits	395,900,319	-	-	395,900,319	395,900,319

37. Risk management

The Group manages risks by various means through a comprehensive strategy in place determining the risks and ways to address and mitigate such risks. The risk management devices in the Group include the Board of Directors, the CEO, the assets and liabilities committee, finance manager, investment manager and the manager of risk management, all whom are under constant supervision by the management of the bank. The following is a summary of how the bank is managing risk:

37.1 Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations resulting in financial loss, credit risk arises in the normal course of business of the Group.

In this context, the Group strengthens institutional frameworks governing the management of credit through the modernization and development of policies and procedures on an on-going basis.

The bank also applies the instructions of the Central Bank of Yemen of circular No. (10) of 1997 on credit risk. The management is committed to a minimum set of standards for credit risk management. Procedures for managing and mitigating credit risk include the following:

- Preparing credit studies on customers before dealing with them and determining credit risk rates related to them.
- Obtaining sufficient collateral to reduce the magnitude of the risks that may arise in case of customers default.
- Conduct field visits and prepare periodic studies for customers in order to evaluate their financial and credit positions.
- Configure the required allocation of provisions of debts and non-performing balances.
- Distribution Loans, advances and Islamic financing activities to various sectors in order to avoid concentration risks within specific limits for each sector.

Distribution is disclosed for financial assets and liabilities and contingent liabilities and commitments in the consolidated statement of financial position date, according to the business sector as follows:

37.1.1 Concentration by customers

	Assets		Liabilities	
	Due from Banks	Loans, Advances and Islamic Financing Activities	Due to Banks and Financial Institutions	Customers' Deposits
	YR'000	YR'000	YR'000	YR'000
December 31, 2019				
Individuals	-	8,382,664	-	82,561,191
Corporates	-	9,924,609	-	347,485,921
Banks	74,086,090	-	22,887,027	-
	74,086,090	18,307,273	22,887,027	430,047,112
December 31, 2018				
Individuals	-	2,425,306	-	81,489,243
Corporates	-	12,758,902	-	314,411,076
Banks	55,125,692	-	21,103,260	-
	55,125,692	15,184,208	21,103,260	395,900,319

37.1.2 Business sector

	2019			2018		
	Assets	Liabilities	Contingent Liabilities and Commitments	Assets	Liabilities	Contingent Liabilities and Commitments
	YR'000	YR'000	YR'000	YR'000	YR'000	YR'000
Industrial & Commercial	6,098,838	141,291,896	7,810,941	9,183,367	86,067,919	10,778,868
Services	1,163,099	155,359,787	2,621,704	1,038,999	185,136,727	2,834,905
Financial	466,869,932	22,887,027	6,883,411	440,841,905	40,678,309	5,328,919
Others	19,220,324	153,068,387	7,017,720	5,289,104	122,971,988	10,534,797
	493,352,193	472,607,097	24,333,776	456,353,375	434,854,943	29,477,489

37.1.3 Credit risk without taking into consideration the collaterals

	2019 YR'000	2018 YR'000
<u>Consolidated Statement of Financial Position items</u>		
Due from banks	74,086,090	55,125,692
Loans, advances and Islamic financing activities	18,307,273	15,184,208
Available for sale financial investments	1,194,176	600,000
Investments in associates	693,279	694,670
Other debit balances and assets	3,248,084	2,478,588
	97,528,902	74,083,158
Items off consolidate statement of financial position	24,333,776	29,477,489

37.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. Liquidity risk results from group's inability to obtain cash to face the decrease in deposits or increase in assets. The Group monitors its liquidity risks through assets and liabilities maturity report, which is prepared internally. The Group then classifies all assets and liabilities to periods up to one year and more. Investment department of the bank controls and monitors liquidity risks and ensure that the Group does not face such risks and the best utilize the group's resources at the same time.

The maturity profile of the bank's financial assets and liabilities at 31 December 2019 was as follows:

	Due within 3 Months YR'000	Due within 3 to 6 Months YR'000	2019 Due within 6 Months to One year YR'000	Due after One Year YR'000	Total YR'000
Assets					
Cash on hand and reserve balances with CBY	56,491,390	-	-	-	56,491,390
Due from banks	74,086,090	-	-	-	74,086,090
Held to maturity investments	334,730,607	4,509,204	92,090	-	339,331,901
Investments in Islamic Sukuk	-	-	-	-	-
Available for sale financial investments	-	-	-	1,194,176	1,194,176
Investments in associates	-	-	-	693,279	693,279
Loans, advances and Islamic financing activities	8,874,971	5,696,347	410,390	3,325,565	18,307,273
	474,183,058	10,205,551	502,480	5,213,020	490,104,109
Liabilities					
Due to banks and financial institution	19,564,191	3,322,836	-	-	22,887,027
Customers' deposits	292,965,070	100,106,267	15,999,146	20,976,629	430,047,112
Long term loans	-	-	-	54,632	54,632
	312,529,261	103,429,103	15,999,146	21,031,261	452,988,771

The maturity profile of the bank's financial assets and liabilities at 31 December 2018 was as follows:

	Due within 3 Months YR'000	Due within 3 to 6 Months YR'000	2018 Due within 6 months to One year YR'000	Due after One Year YR'000	Total YR'000
Assets					
Cash on hand and reserve balances with CBY	43,965,271	-	-	-	43,965,271
Due from banks	55,125,692	-	-	-	55,125,692
Held to maturity investments	338,117,693	95,195	92,058	-	338,304,946
Investments in Islamic Sukuk	-	-	-	-	-
Available for sale financial investments	-	-	-	600,000	600,000
Investments in associates	-	-	-	694,670	694,670
Loans, advances and Islamic financing activities	13,178,127	-	-	2,006,081	15,184,208
	450,386,783	95,195	92,058	3,300,751	453,874,787
Liabilities					
Due to banks and financial institution	21,103,260	-	-	-	21,103,260
Customers' deposits	364,209,878	18,378,809	36,789	13,274,843	395,900,319
Long term loans	650,650	-	-	58,227	708,877
	385,963,788	18,378,809	36,789	13,333,070	417,712,456

37.3 Market risk

Market risk includes foreign currency risk and interest rates risk.

37.3.1 Foreign currency risk

The Group is exposed to currency risk from its transactions in foreign currencies (especially transactions in US Dollar). Since the currency in which the Group presents its consolidated financial statements is Yemeni Rials, thus the consolidated financial statements are affected by the changes in exchange rates between US Dollars and Yemeni Rials. The Group's transactional exposures give rise to foreign currency gains and losses that are recognized in the "Consolidated statement of comprehensive income".

The following table shows the important currencies' positions as at the date of the consolidated financial statements:

	2019 Surplus / % of Capital & (Deficit) Reserves YR'000 %	2018 Surplus / % of Capital & (Deficit) Reserves YR'000 %
US Dollar	(57,610,475) (253.27%)	(75,978,276) (325.10%)
Euro	(633,023) (2.78%)	60,086 0.26%
Saudi Rial	312,885 1.38%	(1,606,263) (6.87%)
Sterling Pound	26,592 0.12%	(574) (0.002%)
UAE Dirham	117,783 0.52%	3,157,417 13.51%
Other currencies	11,607 0.05%	29,089 0.12%
	(57,774,631) (253.98%)	(74,338,521) (318.08%)

The Bank's currencies position exceeded the specified limits according to instructions of CBY n circular No. (6) of 1998 which stipulates that the individual foreign currency position shall not exceed 15% of the Bank's capital and reserves, and that the aggregate open position for all foreign currencies shall not exceed 25% of the Bank's capital and reserves. The management of the bank is correcting the position gradually during the subsequent periods.

Foreign currency sensitivity analysis:

The exchange rates for the major currencies as at 31 December are as follows:

	Closing rate According to CBY Announcement		Average Rate in the Parallel Market*	
	2019 YR'	2018 YR'	2019 YR'	2018 YR'
US Dollar	250.25	250.25	590	525
EURO	280.43	285.93	649.8	601
Saudi Rial	66.71	66.71	153.5	138.52
Sterling Pound	328.21	317.53	760.89	669.17
UAE Dirham	68.13	68.13	154	143.41

* The latest transactions were used by the Group's management to determine the average exchange rates in the parallel market.

The following table shows the sensitivity analysis related to the effect of changes in the foreign currency against the Yemeni Rial, taking into account exchange rates in the parallel market, and assuming that the other variables are stable, on the statement of comprehensive income (as a result of the fair value of financial assets and liabilities subject to currency risk).

	Impact on net income Increase/(Decrease)	
	2019 YR'000	2018 YR'000
US Dollar	(78,214,421)	(83,416,708)
EURO	(833,790)	66,209
Saudi Rial	407,065	(1,729,062)
Sterling Pound	35,056	(636)
UAE Dirham	148,452	3,488,776
Others	14,629	31,937
	(78,443,009)	(81,559,484)

In accordance with the instructions issued by the Central Bank of Yemen to all the banks operating in the Republic of Yemen, which states that sensitivity analysis for the effect of foreign currencies fluctuation on the financial statements should be performed and presented, based on the exchange rate of the parallel market and stating the effect of the change in the consolidated statement of comprehensive income, and banks holding short financial positions for foreign currencies should create a provision for losses related to the exposure of the difference between the value of the short positions of the foreign currencies according to the closing rates of CBY instructions and the average market exchange rate.

During the year ended December 31, 2019 as shown in Note No. (19), the group's management did not create any provision against expected losses related to foreign currencies position, due to that the bank signed a commitment for CBY during January 2019 according to the minutes signed with the CBY on November 15, 2015 to to gradually correct its short foreign currencies position with a minimum of 10% from annual exposure and to reach the allowed limits in accordance with the instructions issued in this regard. At the end of the year, the bank's management covered part of the exposure to the foreign currencies position from YR 74 billion in 2018 to YR 57 billion in 2019, with a decrease in the foreign currencies position by 23%. The commitment also included giving the authority to CBY to pledge the treasury bills amounting of YR 82.6 billion, in addition to income from such treasury bills, until the foreign currencies positions is finally corrected. Also, the bank's management has committed to allocate the proceeds from the reserved balance of these treasury bills to create a provision or to reduce the short foreign currencies positions..

During the year ended December 31, 2017, according to CBY letter (Banking Control Sector) No. 1955 dated May 24, 2018, the group's management created a provision against expected losses related to foreign currencies position according to the results of the financial statements for the year ended December 31, 2017 amounting to YR 5,840,000 thousand, within the group's operations results.

37.3.2 Interest rates risk

The Bank's operations are exposed to the risk of interest rate to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in different amounts. Risk management activities are aimed to optimize net interest income provided that market interest rate levels are consistent with Group's business strategies. The Group manages mitigate the differences by following policies and guidelines to reduce risks by matching the re-pricing of assets and liabilities. Details are presented concerning the differences of re-pricing and interest rate risk to the assets and liabilities committee during its regular meetings, as well as to the risk committee of the bank's management.

Bank's management follows steps to reduce or limit the effects of the risks arising from interest rates to the minimum level as follows:

- Link the interest rate on borrowing with interest rates on lending.
- Consider different currency discount rates when setting interest rates.
- Monitor compatibility of financial assets and liabilities maturity dates.

Average interest rates applied during the year

The average interest rates on assets and liabilities during the year ended December 31, 2019 is as follow:

	YR %	US Dollar %	EURO %	SAR %
<u>Assets</u>				
Time deposits with banks	16.7	3.2	-	-
Treasury bills	16.91	-	-	-
Government bonds	16.74	-	-	-
Customers' loans	22	10	-	10
Agricultural loans	6	-	-	-
Overdraft	25	12	2.52	12
<u>Liabilities</u>				
Time deposits - Customers	15.02	3.71	-	1.8
Saving accounts	15	2	1.92	1.72
Time deposits - Banks	16	4.97	-	-
Long term loans	2.6	2	-	-

The average interest rates on assets and liabilities during the year ended December 31, 2018 is as follow:

	YR %	US Dollar %	EURO %	SAR %
<u>Assets</u>				
Time deposits with banks	16.74	1.69	-	2.25
Treasury bills	16.79	-	-	-
Government bonds	16.85	-	-	-
Customers' loans	22	10	-	10
Agricultural loans	6	-	-	-
Overdraft	25	12	2.52	12
<u>Liabilities</u>				
Time deposits - Customers	15.03	3.96	-	1.81
Saving accounts	15	2	2	2
Time deposits - Banks	16	4.97	-	-
Long term loans	2.60	2	-	-

38. Capital risk management

The Bank manages its capital to ensure its ability to continue as a going concern while increasing the return to shareholders through the optimization of the equity within acceptable frameworks to encounter the return from such risks. The general bank policy did not change from that in the year 2018.

The Bank's capital consists Paid-up Capital , reserves and retained earnings.

39. Capital adequacy

The Bank monitors its capital adequacy in accordance with the instructions of the Central Bank of Yemen. The capital adequacy is calculated in accordance with the instructions of the Central Bank of Yemen by comparing the components of core and supplementary capital as shown in the consolidated financial statements against the total of the risk-weighted assets and liabilities as follows:

	2019 YR Million	2018 YR Million
Core capital	22,489	23,429
supplementary capital	258	21
Total capital	22,747	23,450
Risk-weighted assets and liabilities		
Total assets	26,988	20,264
Contingent liabilities and commitments	17,745	19,145
Total risk-weighted assets and liabilities	44,733	39,409
Capital adequacy ratio	50.85%	59.50%

40. Financial reporting for business segments

The Bank operates in the following three sectors:

- Retail banking services - including banking services for individuals, current accounts and savings accounts, deposits, investment savings products, credit and debit cards, consumer loans and housing loans.
- Banking services for corporates - including direct debit facilities, current accounts, deposits, loans, overdrafts and other credit facilities.
- Treasury and Investments - Other activities are investment management and corporate finance, which do not represent an independent sector that must be reported.

Transactions between the business sectors are done in accordance with normal commercial terms. Funds are allocated normally between sectors resulting in the disclosure of the cost of funding transfers within the operating income. Interest charged on these funds is based on the cost of the Bank's capital. There are no other material items of income or expense between the business sectors.

Assets and liabilities of the sector are represented by operating assets and liabilities which is the majority of the consolidated statement of financial position, however, it does not include such items as taxes and borrowings.

41. Contingent liabilities

Certain legal cases have been filed against the Bank for the amount of approximately to YR 810 million, and a provision for contingent liabilities was created to address some of these issues during the year 2019 with an amount of YR 219 million (2018: YR 154 million). According to legal department's opinion, the Group's management believes that the resulting judgments in those cases for which no provision for contingent liabilities has been created will not affect the group's operations.

42. Tax position

Up to December 31, 2009, the Bank is not subject to commercial and industrial profit tax and income tax, in accordance with Article No. (21) of Law No. (39) of 1982 concerning the establishment of the Bank, Income Tax Law No. (31) of 1991 and its subsequent amendments by Republican Decree No. (12) of 1999 and the provisions of Article No. (85) of Law No. (38) of 1998 concerning banks.

- Salary tax has been cleared up to the year 2008.
- The Group has paid the salary tax for the year 2009 based on the declaration but the reconciliation between the Group and the Tax Authority has not been completed yet.
- Income and salary taxes have been cleared for the years from 2010 to 2016.
- Salary tax has been paid for the years 2017, 2018 and 2019 according to monthly declarations.
- The tax declaration was submitted for the year 2017 and 2018 and the amount due was paid based on the declaration, and the field examination is ongoing by the tax authority and has not been completed, and the bank has not been informed of any additional notification by the authority to date.
- The differences in taxes on account and sales tax for the year 2016 amounted to YR 109,912 thousand according to the minutes signed with the authority.
- The group's management has paid the fine to Authority that related to the delaying of submission the tax declaration on income tax for the year 2017 and 2018 with an amount of YR 151,832 thousand and YR 41,209 thousand, respectively, during the year 2019.
- The fine calculated on the sales tax, taxes on account and real estate rent tax for the years 2017 and 2018 reached an amount of YR 28,478 thousand, which were paid in cash and checks during the year 2019.
- The bank has paid an amount of YR 700,000 thousand during the year 2019 to the tax authority according to their letters requesting advance payments for income taxes which will be deducted from the due income taxes for subsequent years.

43. Zakat position

- The Group has submitted its zakat declaration and payment until the end of the year 2017 according to its financial statements in accordance with the receipts granted by the head office and its branches in all governorates, and it has not been informed of any additional assessment notification from the Zakat General Authority (previously the Zakat Authority).
- The Group has submitted its zakat declaration and paid the zakat for the year 2018 according to its financial data in accordance with the receipts granted by the head office and its branches in all governorates, and it has not been informed of any additional assessment notification from the Zakat General Authority (previously the Zakat Authority). The bank's management has paid an amount of YR 600,000 thousand as cash and the remaining amount of YR 329,000 thousand by check, but the value of the check has not been withdrawn up to date.

44. Comparative figures

Some comparative figures were reclassified to conform with this year's financial statements classification. The reclassifications did not impact the previously reported net profit or equity. Following are the details of reclassifications:

	Audited Financial Statements - 2018 YR'000	Reclassificat ion Amount YR'000	Adjusted Balances 2018 YR'000
Loans, advances and Islamic financing activities	15,692,976	(508,768)	15,184,208
Debit balances and other assets	1,969,820	508,768	2,478,588
Other expenses	4,841,208	276,125	5,117,333
Depreciation of property and equipment	-	652,831	652,831
Zakat	928,956	(928,956)	-
	23,432,960	-	23,432,960

45. The current security situation in the Republic of Yemen and events occurring during the financial period of the consolidated financial statements and their impacts on the continuity of the group

As a result of the political crisis, the economic situation, and the current security events in the Republic of Yemen, it constitutes a challenge to the management to predict the effects of these conditions on the group's activity, patterns of future flows, their results, and its consolidated financial position for the coming period, and the management is still continuing to study the effects of this crisis in the near term on the Group and make the necessary reserves in order to ensure continuity, the events during the period of preparing these consolidated financial statements included the use of an additional accounting system in the Aden city separated from the bank's system in Sana'a city, and the group's management evaluates the impact of these events periodically.

The Board of Directors of the Group believes that the events and solutions procedures carried out by the Group's management guarantee limiting the impact of these events which, in the Board of Directors' belief, will not be material on the group's consolidated financial position, and will not have a negative impact on the continuity of the group in the foreseeable future.

46. Subsequent events

- The impact of Corona virus (Covid-19) in the beginning of the year 2020 and its spread in several geographical regions around the world causing disturbances to economic activities and businesses, which may have an effect on the foreign bank's investments and transactions in the event of business interruption. The Group believes that this event is one of the events which occurred after the date of the financial statements and is not subject to change. Considering that there are no indications of the spread of the Corona virus (Covid-19) in the Republic of Yemen to date or in the countries where its subsidiaries operate, the management of the Group believes that there is as yet no material impact or quantitative estimate of the potential effects on future financial statements at this stage.
- On January 28, 2021, the bank's management addressed a letter No. (M S/ 23) to the Yemeni Banks Association in which the association was requested to address the banks in the Republic of Yemen to refrain from dealing with the so-called general management in Aden, and according to this letter, the Yemeni Banks Association sent a letter No. (39/2021) on January 31, 2021 to all Yemeni banks to refrain from dealing with the so-called public management in Aden. On March 15, 2021, the general management of the bank in Sana'a published an official announcement in Al-Thawra newspaper No.

(20570) stated that “According to the establishment law of the Cooperative and Agricultural Credit Bank, the bank announces to its audience and clients not to use any counterfeit services or unapproved systems that the bank has nothing to do with, which is at least an attempt to imitate the bank’s electronic wallet logo (Mobile Money) and an attempt to establish accounting or banking systems at one of the bank’s branches in the city of Aden with the purpose of opening current accounts and deposits and attracting funds and other transactions. and thus the bank alerts its clients that these operations are not reliable, affirming that the bank’s is not responsible for the legal and financial obligations that may arise because of these transactions, and in a manner that preserves the fund of its clients while the bank maintains all procedures to fully protect its rights and the fund of its clients

47. Approval of the financial statement

The consolidated financial statements were approved by the Board of Directors and authorized for issuing on March 29, 2021.

48. The Separate financial statements for CAC bank - parent company

48.1 Statement of financial position

	Dec. 31, 2019 YR'000	Dec. 31, 2018 YR'000
Assets		
Cash on hand and reserve balances with Central Bank of Yemen	56,491,390	43,965,271
Due from banks	74,076,872	55,125,692
Held to maturity investments	339,331,901	338,304,946
Loans, advances and Islamic financing activities	18,307,273	15,184,208
Available for sale financial investments	1,194,176	600,000
Investments in Islamic Sukuk	-	-
Investments in associates	693,279	694,670
Investments in subsidiaries	10,000	10,000
Debit balances and other assets	3,305,180	2,527,657
Property and equipment	1,834,534	2,150,996
Right to use leased assets	1,459,408	-
Total assets	496,704,013	458,563,440
Liabilities and equity		
Liabilities		
Due to banks and financial institutions	22,887,027	21,103,260
Customers' deposits	430,194,184	396,055,392
Long term loans	54,632	708,877
Credit balances and other liabilities	13,059,075	9,955,149
Other provisions	6,406,565	7,012,166
Total liabilities	472,601,483	434,834,844
Equity		
Paid-up Capital	20,000,000	20,000,000
Statutory reserve	3,210,717	3,152,899
General reserve	217,615	217,615
Accumulated profits	674,198	358,082
Total equity	24,102,530	23,728,596
Total liabilities and equity	496,704,013	458,563,440
Contingent liabilities and commitments	24,333,776	29,477,489

Separate financial statements for CAC bank - parent company (continued)

48.2 Statement of comprehensive income for the years ended December 31

	2019 YR'000	2018 YR'000
Interest income	5,985,066	4,743,292
Interest income from held to maturity investments (Treasury bills)	57,738,097	52,912,300
Total interest income	63,723,163	57,655,592
Less: Interest expenses	(27,274,272)	(26,256,064)
Net interest income	36,448,891	31,399,528
Islamic financing and investments activities income	128,568	192,932
Less: Return on unrestricted investments and saving accounts holders	(2,089,523)	(1,454,038)
Net income from Islamic financing and investments activities	(1,960,955)	(1,261,106)
Net income from interests and Islamic financing and investments activities	34,487,936	30,138,422
Fee and commission income from banking services	1,348,961	1,418,607
Losses from foreign currencies transactions	(21,895,811)	(17,330,005)
Financial investments income	28,024	1,061,005
Other incomes	7,871,506	2,052,394
Net operating income	21,840,616	17,340,423
Less: Impairment loss on financial assets (provision)	(5,158,930)	(2,364,758)
Less: Staff cost	(7,754,638)	(7,400,884)
Less: Depreciation of property, equipment and right to use leased assets	(1,051,481)	(648,326)
Less: other expenses	(6,475,000)	(6,111,523)
Net profit for the year before taxes	1,400,567	814,932
Less: Income tax for the year	(1,026,633)	(418,962)
Net profit for the year after taxes	373,934	395,970
Other comprehensive income	-	-
Total comprehensive income for the year	373,934	395,970



CACBANK Network of Branches & Offices

Sana'a Governorate

Branches & Offices	Phone	Fax	Address
Sana'a Branch	01 110 220	112 220 01 940 232 01	Saba Circle
Ardh Himyar Office	387119 01	985 384 01	Madhbah Office
Airport Office	271 348 01	272 348 01	Sana'a Intr'l Arpt
Daris Office			Airport Road Sana'a
Sana'a University Off			Commerce College
Haddah Branch	370 428 01/1	361 428 01/2	Hadda Street
Al Masilah Office	259 591 04	259 591 04	Al Masilah
Sama Mall Office			50 th Street
Al Zubairi Branch	801 538 01/2	832 538 01	Al Zubairi Street
Algiers Office			Baghdah Street
Movenpick Office	545868 01	545869 01	Dhahr Himyar, Nuqur
Dhahban Office	337996 01	337887 01	60 North Street
14 October Branch	551 634 01	234 634 01	Taiz Rd
Bab Al Salam Office	01 269569	586 269 01	Bab Al Salam
Baghdad Branch	01441404	441 01 407	Baghdad Street
Balhaf Office	05 211961	05 964 521	Balhaf
22 May Branch	230 627 01	236 627 01	Taiz Street
Asbahi Office	337 673 01	6 01237 27	40th Street
Mogadishu St Branch	01 884 537	01 959 537	Ring Rd West

Amran

Branches & Offices	Phone	Fax	Address
Amran Branch	07601096	07600206	Sana'a St
Masna'a Office	07613035	07612567	Masna'a St

Hajja

Branches & Offices	Phone	Fax	Address
Hajja Branch	07222200	07222427	Al Salam St
Al Aman Off	07228116	07228118	Aman Market
	07228138	07242636	
Abs Branch	07242137/8	07242636	Main Street
Mahabisha Off	07230925	07230924	Main Street

Al Mahweet

Branches & Offices	Phone	Fax	Address
Al Mahweet Branch	402626 07 07404354	07403357	Main Street

Sa'adah

Branches & Offices	Phone	Fax	Address
Sa'adah Branch	07512549	07513386	Govt Complex St

Marib

Branches & Offices	Phone	Fax	Address
Marib Branch	06301331 06304193	06302205	Govt Complex

Al Jowf

Branches & Offices	Phone	Fax	Address
Al Jowf Branch	06341081 06342014	06342014	Al Hazm

Al Baidha

Branches & Offices	Phone	Fax	Address
Al Baidha Branch	06539320	06539321	Main Street
Sari' Office	06539326	06539326	Highway
Rada'a Branch	06559074/5	06559073	Main Street

TAIZ

Branches & Offices	Phone	Fax	Address
Taiz Branch	04269110	04210482	Al Hureish
Al Hoban Office			Al Hoban
Jamal St Branch	04210481	04267946	Jamal Street
	04267961		
	04251888		
Mocha Branch	04362360	04362320	Mocha
	04362926		
Al Turbah Branch	04301289	04302007	Al Qiada St

IBB

Branches & Offices	Phone	Fax	Address
Ibb Branch	04458039	04455665	Ring Road
Taiz St Office	04424602	04424603	Taiz Street
Ibb University			Ibb University
Arwa Branch	04421283/4	04421285	Al 'Udain St
Qa'ida City Off	04331138	04345188	Highway
Governorate Off	04408488	04401834	Jara'an Centre
Yareem Branch	04501133	04501721	Behind A'Rahman Clinic
Yareem Office			
'Udain Branch	04470105	04470107	Main Street
	04470505		
Al Nadira Branch	04541992	04541993	Main Street
Al Sadda Office			Main Street

Hodeida

Branches & Offices	Phone	Fax	Address
Hodeida Branch	03263394	03262699	Hodeida Street
Martyrs Office	03265965	03262699	7 July Street
Al Zahra Office	03575113	03575113	Highway
Al Qanawis Office	03560021	03560061	Qanawis
	03560294		
Commercial Area Br	03217052	03219586	26 September St
Zabeed Branch	03341914	03340910	City Gate
Al Jarrahi Office	03343280	03343282	Highway
Beit Al Faqeeh Off	03331078	03331954	Main Street
Beit Al Faqeeh Br	03334191	03334669	Com'rcial Zone Entrance
Haradh Branch	07245911	07246630	Main St
Customs Off	07248938		Al Tewal Customs
Bajil Branch	03503400	03503500	Sana'a Road
	03503311		
Heis Branch	03360622	03360222	Main Street

Aden

Branches & Offices	Phone	Fax	Address
Mansurah Branch	358 02160	02358157	Caltex Circle
Mansura Office	02358156	02303405	Caltex Circle
Crater Branch	02267541/9	02264400	Arwa Street
Mu'alla Office	02220416	02220416	Mu'alla Customs
Free Zone Branch	02398866	03262699	Free Zone
	02356340		Free Zone
Sheikh Othman Br	02306821/2		Sheikh Othman
Buraiqa Office	02306823/6		Buraiqa

Lahj			
Branches & Offices	Phone	Fax	Address

Lahj Branch	02510996/7		Main St
-------------	------------	--	---------

Abyan			
Branches & Offices	Phone	Fax	Address

Abyan Branch	02605594 02604753	02602109	Unity St, Zinjibar
--------------	----------------------	----------	--------------------

Abyan			
Branches & Offices	Phone	Fax	Address

Mukalla Branch	05314899 05352691	05314898	Banks Street
Seyiun Branch	05404606 05409937	05400640	Algeria St
Al Qatn Office	05458341	05456555	Highway
Al Shihr Branch	05336443 05382333	05336440	Main Street

Socotra			
Branches & Offices	Phone	Fax	Address

Socotra branch	05660727	05660726	20 Street
----------------	----------	----------	-----------

Shabwa			
Branches & Offices	Phone	Fax	Address

Beihan Branch	05270245	05270244	Al Tarbiah St
Shabwa Branch	05200534	05202526	Ataq City (?)
Balhaf Office	961 211 05	964 211 05	Balhaf Highway

Al Mahara			
Branches & Offices	Phone	Fax	Address

Al Mahara Branch	05611950 05613205	05612623	Thi Al Hajlah St
Al Ghaidha Office	05613700	05613701	Highway
Sayhoot Branch	05640590	05640591	Sayhoot
Sayhoot Office	05640710	05640713	Highway

Al Dhali'a			
Branches & Offices	Phone	Fax	Address

Al Dhali'a Branch	022/431491	02510996	Main Street
Al Dhali'a Branch	02431491/2	02431493	Main Street
Qa'taba Office	02451410	02451409	Highway
Damt Branch	02456962	02456963	Damt Main Rd
Juban Office	02461912	02461912	Public Street



Dear Customers and employees:
we will be pleased to receive your ideas and suggestions about this Report
on the following email:
annual_report@cacbank.com.ye
Or the following phone number
918 538 1 967+
published by Strategic Planning and Statistics Department
2019

